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INDUSTRY NEWS

Timely withdrawal of founder-managers a key to success, study finds

NEW YORK—The most critical factor in transforming founder-managed firms into successful, professionally managed organizations is the timely withdrawal of the founder from active management of the company, according to a recent study by the New York-based Conference Board.

The study which surveyed family-run businesses, found that the "moment of truth" for founder-operated firms—which comprise more than 90% of all U.S. firms and a sizable proportion of industrial distributors—is the orderly transition of power from the founders to professional, competent successors, who may or may not be members of the family.

The founders interviewed for the study noted that although the "letting go" process is difficult and often traumatic, it is vital for the success and continuity of the business.

"While most if not all of the world's major enterprises began as owner-managed firms," notes the study, "family businesses face a long and difficult road in attempting to become future Fords or DuPonts."

One of the most critical problems, points out the report, *From Owner to Professional Management: Problems in Transition*, is in reconciling the founder's intense involvement in all aspects of the business with the need to begin delegating decision-making authority to others. "Founders who have presided over their company's evolution into effective, full-fledged business organizations have largely done so because they have been adaptable enough to change their personal roles as the company moves toward maturity," the report states.

The study found certain key common elements in what it termed "effective disengagements" by founder-managers:

- They relinquish control when they are still in full command of their abilities and are able to lend support and counsel to new management.
- Their withdrawal from active management is final, leaving no doubt among employees, customers and suppliers that they are stepping down.
- They commit themselves publicly to an orderly plan of succession.

The actual transition from what the study calls "rule to reign" involves two distinct steps by the founder. First he begins delegating operational tasks to others. The second step involves his withdrawing from day-to-day involvement in the business but not going into retirement. Most retain a position on the board, review decisions and oversee performance.

It is in this oversight role, the study stresses, that there is the greatest room for failure in making the transition successful. It is imperative that founders continue to advise the incoming management until the business has once again become stable.

Although the changing of the guard in a family-owned business is often marked by "highly emotional conflict" within the family, there are certain steps the family can take to ease the transfer of power:

- Create clear-cut demarcation lines between family ownership roles and business or managerial roles.
- Assure that heirs who assume business responsibilities are properly trained for the task.

[continued on page 12]

RMA forecasts hose and belting growth to slacken

WASHINGTON, DC—Annual growth rates of industrial hose, flat belting and V-belting will average 2.3% from now until 1989, according to a market forecast prepared by the Industrial Products Statistical Committee of the Rubber Manufacturers Assn.

The forecast, prepared as a cooperative effort by the 80-plus companies which comprise the RMA's Industrial Products Div., predicts that the strong growth rate in hose and belting which manifested itself in the first six months of 1984, will ease up by the end of the year.

Nevertheless, says the forecast, 1984 activity will project a yearly growth pattern "which is far above normal historical growth trends for the industry." The next five years, however, should produce a more "normal" pattern for the products.

The RMA notes that high interest rates and large federal deficits will prevent any "sustained strong real growth in the years ahead."

Totals given below for each product represent U.S. demand and includes estimated domestic shipments less exports plus imports. Figures are in millions of dollars fixed at 1984 dollar values. ☐

HOSE
All reinforced hose, rubber or plastic, except garden hose. It is comparable with the total dollar shipments in the U.S. Bureau of the Census SIC Codes, 30413, 30414, and 30416, minus exports, plus imports.

1984	1985	1986	1987	1988	1989	Annual Growth
$ 1050	$ 1080	$ 1107	$ 1135	$ 1160	$ 1185	2.5%

FLAT BELTING
All conveyor, elevator and flat transmission belting of rubber or plastic. It is comparable with the total dollar shipments in the Bureau of the Census SIC Code 30411, minus exports, plus imports.

1984	1985	1986	1987	1988	1989	Annual Growth
$ 276	$ 284	$ 290	$ 295	$ 300	$ 305	2.0%

V-BELTS
All power transmission belts, including industrial and automotive other than flat, of rubber or plastic, including belts made for original equipment and replacement. It is comparable with the total dollar shipments in the Bureau of the Census SIC Code 30412, minus exports, plus imports.

1984	1985	1986	1987	1988	1989	Annual Growth
$ 502	$ 517	$ 530	$ 540	$ 550	$ 560	2.2%

Jaynes

marketing, a position to which Lee Eison, former Gates Industrial Sales Div. regional sales manager has been named.

The Gates Molded Products Co., a recent acquisition, produces engineered and molded rubber products for the oil, building and construction industries. It sells about one-quarter of its products through industrial distributors. ☐

Indicators . . .

Two of the three key indicators to distributor's economic activity this month advanced, providing additional strength to a recovery that is approaching its second full year. The NIDA-SIDA *Industrial Distribution Index* rose by 10.6 points in August to 144.7, the highest level reported in the last 32 months. Regionally, all sectors advanced with the West and the South posting the strongest gains…SIDA's *Monthly Sales Trend Report* for July showed a decline of 6.47 compared with June, with losses occurring in all reporting areas although Area 2 comprising FL, GA, SC and Puerto Rico showed the largest decline of 16.95. On the other hand, July '84 versus July '83 shows an increase of 17.41 and year-to-date '84 versus year-to-date '83 indicates growth of 23.10…ASMMA's *New Order Index* for July increased 1.2 points to 120.3 for a one percent rise over June. This latest increase continues the see-saw pattern begun in January when the index stood at 119.6. Since then the index has declined twice and advanced four times. Despite these up-and-down fluctuations, the *Index* hasn't exceeded its current figures since the end of 1981…According to the American Machine Tool Distributors' Assn., July sales of new machine tools in the U.S. by distributors remained strong. The August index declined to 72.9, down from 75.5 in June but still a healthy 37% ahead of July 1983. At the same time, AMTDA's *Distributors' New Orders Trend* advanced for the 15th consecutive month standing at 64.7, a 44.1% improvement over last year's July figure. Orders for metal forming machine tools advanced an impressive 45.3% in July compared with June while orders for metal cutting tools declined by 10.1%…The National Welding Supply Assn. reports that while purchases of welding supplies eased by 2.2% in July from June, year-to-date totals remain a strong 21.3% over 1983. NWSA also points out that, excluding 1984, the current figure of 166.8 has only been exceeded once in the last 55 months.

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REGIONAL REPORT

Sales gains slide in August

Usually a slow month for distributor sales, August's national figures are 19% higher than August of last year, but down ten percentage points from July's near-record 29%.

With the reduced gains in most of the regions and areas reporting, a leveling off in national comparisons is evident. Wide discrepancies in sales gains between regions and areas are no longer in evidence. Comparatively, all of the national figures indicate gains in a narrower-than-usual range.

The Georgia-Florida area gain was the highest at 26%, while the West South Central region was the lowest at 10%. In-between figures for regions and areas are mostly in the teens.

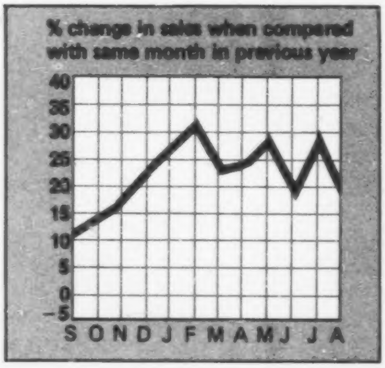
Similarly, the cumulative figures for the first eight months of '84 compared to '83, range from a low of 20% to a high of 32%, all gains. The U.S. totals are up 25% which is virtually unchanged from July (26%) and June (24%). These steady figures are most likely to close out the year.

In month-to-month statistics, where figures have tended toward the minus side the past few months, almost all areas and regions are now reporting pluses. The U.S. total is up 9% compared to a 5% drop in July and a 4% drop in June. All regions in this category are plus with the exception of West South Central which is down 6%.

Receivables show a slight improvement compared to the past several months, but the national average does not seem able to break under 40 days. □

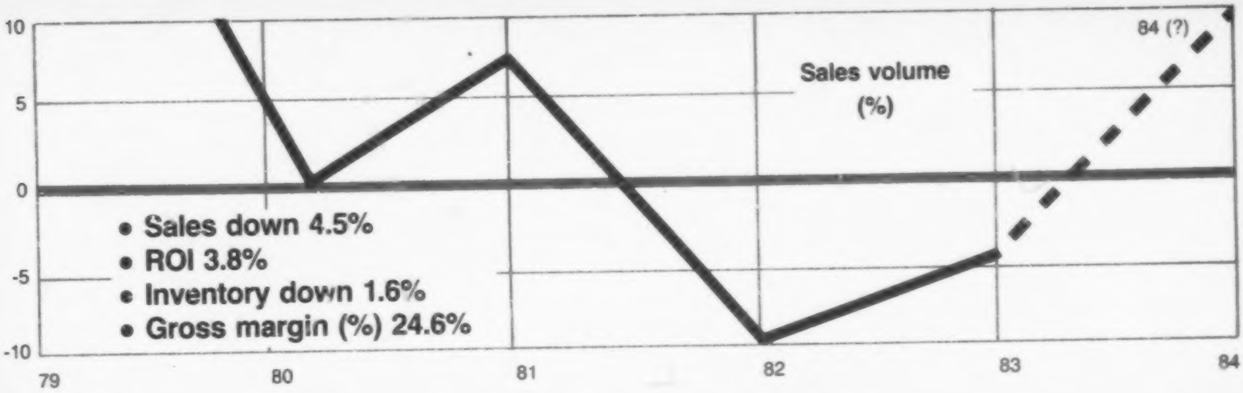
RECEIVABLES*	August '84		August '83	
	Gen.	Spec.	Gen.	Spec.
New England	46	51	44	48
Middle Atlantic	44	45	43	46
South Atlantic	34	36	33	35
East North Central	38	40	36	37
East South Central	39	—	—	—
West North Central	—	50	—	51
West South Central	—	38	—	47
Mountain	—	—	—	—
Pacific	42	40	42	41
National	41	43	40	44

*Average days outstanding



August sales dip . . .

SALES BY REGIONS (% change)	August '84 vs July '84			August '84 vs August '83			1st 8 mos. '84 vs 1st 8 mos. '83		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	0	+12	+7	+6	+22	+15	+22	+24	+23
Connecticut	—	+16	—	+6	+33	+13	+27	+13	+22
Massachusetts	+5	+11	+9	+8	+20	+16	+15	+27	+23
MIDDLE ATLANTIC: NY, NJ, PA	+3	+9	+7	+11	+24	+19	+16	+26	+22
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	+2	—	--	+21	+6	+16	+23	+25	+24
Pennsylvania	+28	+14	+19	+15	+20	+19	+10	+27	+20
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+19	+14	+17	+31	+11	+22	+28	+17	+23
SC, VA, WV	—	—	—	—	—	—	—	—	—
Georgia-Florida	+33	+11	+20	+52	+10	+26	+34	+21	+26
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+13	+14	+13	+20	+26	+23	+30	+34	+32
Indiana	—	+27	—	—	+18	—	—	+14	—
Wisconsin	+11	+16	+15	—	+29	—	+1	+39	+30
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+9	+28	+21	+18	—	—	+28	—	—
Ohio	+19	+16	+17	+17	+13	+15	+28	+21	+24
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	−19	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+36	+14	+20	+10	+15	+13	—	+16	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	−5	−6	−6	+6	+11	+10	+34	+20	+22
Texas	—	−6	—	—	+10	—	—	+20	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+1	+16	+5	+21	+12	+18	+24	+20	+23
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+8	+20	+15	+44	+6	+20	+29	+14	+20
U.S. TOTALS	+9	+9	+9	+21	+18	+19	+26	+25	+25



Productivity report confirms sales down in 1983

Five year performance trends*

	1983	1982	1981	1980	1979
Growth in sales	-4.5	-9.7	6.0	5.0	22.8
GM/employee ($1,000)	37.7	37.9	37.5	35.2	35.0
Personnel Productivity Ratio	62.0	61.5	57.4	55.1	49.7
Gross margin percent:					
Total GM	24.6	24.6	22.3	22.7	22.1
Stock GM	25.7	25.9	23.1	24.0	22.8
Special order GM	22.3	22.4	21.3	20.5	21.1
Direct GM	18.3	18.2	16.6	15.7	16.5
Net profit before tax/sales	0.6	0.7	2.5	3.0	3.8
Accounts receivable days	45.2	35.6	41.0	39.0	44.0
Inventory turnover (stock sales)	2.4	2.4	3.7	3.7	3.8
Return on investment	3.8	3.3	10.2	11.2	16.4

PHILADELPHIA, PA—Sales were down 4.5% in 1983 among the roughly 200 respondents to the National and Southern Industrial Distributors Assns.' (NIDA/SIDA) survey for the organizations' annual productivity report. The typical firm had a sales volume of $4,947,000 in 1983, compared to $5,055,000 in 1982, the report reveals.

Robert Clifton, executive vice president of NIDA, said that while the report contained no real surprises, much of its data is very significant (see tables).

"*The Distributor Productivity Report* covers all the operating expense figures broken down in functional areas such as outside sales, inside sales, warehouse expense, office expense, etc. And these figures are represented as both percentage of sales and percentage of gross margins," he said.

Clifton added that distributors can use the report as "a benchmark to measure performance against other members."

"How I compare with my fellow distributors is the big question," Clifton continued. "If the return on investment is inadequate, the distributor better do something about it. Maybe a distributor will find out that he is engaged in unnecessary price cutting and therefore starting off behind the eight ball with inadequate margins no matter how efficiently his operating costs are arranged."

The report states that the average re-

Income as a % of sales*

		Breakdown by sales volume (millions)				
	All firms	Under $2.0	$2.0 to $4.99	$5.0 to $7.49	$7.5 to $9.99	$10.0 and over
Sales:	100.0	100.0	100.0	100.0	100.0	100.0
Gross Margin	24.6	27.7	25.1	24.3	24.4	23.6
Department Expenses:						
Outside sales	6.1	8.2	6.0	6.5	6.2	5.6
Inside sales	3.0	3.4	2.9	2.7	2.8	3.2
Purchasing	1.0	1.7	1.1	0.7	0.8	0.8
Delivery	1.0	0.6	1.0	0.9	0.8	1.3
Occupancy	1.5	2.3	1.6	1.4	1.4	1.3
Warehouse	1.9	1.5	1.6	2.4	2.0	2.5
Office & credit	3.3	3.7	3.3	3.3	3.7	3.7
Data processing	1.2	0.6	1.4	0.7	1.0	0.7
Admin. & general	3.8	5.5	4.0	4.0	2.9	2.7
Total Departments	23.6	27.7	23.9	23.4	22.2	22.2
Profit:						
Operating profit	-1.5	-1.2	-1.6	-0.6	-2.3	-1.7
Interest paid	0.7	0.5	0.9	0.5	0.9	0.4
Other income (net)	0.2	0.6	0.1	0.5	0.2	0.2
LIFO adjustment	0.0	0.7	0.0	0.1	0.1	-0.1
Net profit before tax	-0.6	-0.3	-0.5	-0.2	-1.4	-1.1
Net profit after tax	-0.5	-0.2	-0.4	-0.3	-1.1	-0.7

* All figures in this Summary Report are based on median values and expressed as percents unless otherwise noted.

Productivity report . . .

turn on investment was only 3.8% in 1983. "This is a very, very poor figure," Clifton states, "and was obviously caused by the recession."

Clifton also feels that the report's turnover information is important. These figures show how well distributors are investing their money and what the ratio is between inventory and sales.

As for trends, he said that the report shows that inside sales costs are higher while outside sales costs took a dip in 1983, indicating that distributors are shifting to more telephone selling.

Non-members interested in the 41-page report can receive a copy by mailing a $150 check payable to the associations' Financial Management and Statistics Committee, c/o National Industrial Distributors Assn., 1900 Arch St., Philadelphia, PA 19103. For a $75 fee, members can submit data and receive an individualized report to see where they stand among their peers along with the analysis.

Productivity starts with customer service

- **Optimize minimum order size and/or shipment units when possible.** If you receive multiple orders for small items by wire or phone from individual customers, if you haven't already done so, consider setting up a system for trapping those orders so they can go out in consolidated shipments.
- **Streamline procedures for smaller orders.** Where it's practical to set minimum order levels consider simply sending the part out with a reply-type invoice enclosed and trusting the customer to pay rather than going through the regular invoicing process and keeping accounts receivables records.
- **Set criteria for automatic adjustment of complaints and claims within specified limits.** Where relatively small amounts are involved, it usually costs more to investigate a claim or complaint than it does to pay them without considering whether or not they are justified.
- **Set criteria for automatic writeoff of small chargebacks and other discrepancies in payment.** One firm programs its computer to accept discrepancies of $5 or less and permits customer reps to automatically adjust amounts up to $100. Over that amount, the payment must be referred to a manager for approval.
- **Reduce customer service levels on non-critical orders.** Doubling lead time from one week to two would have had virtually no negative impact and would have enabled substantial cost reduction in order

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Income as a % of gross margin*

	All firms	Under $2.0	$2.0 to $4.99	$5.0 to $7.49	$7.5 to $9.99	$10.0 and over
		Breakdown by sales volume (millions)				
Gross Margin	100.0	100.0	100.0	100.0	100.0	100.0
Department Expense:						
Outside sales	24.3	27.9	24.3	27.5	23.7	22.3
Inside sales	11.8	11.6	10.7	11.4	11.2	14.2
Purchasing	4.0	5.6	4.5	3.2	3.3	3.5
Delivery	3.9	2.3	3.8	3.9	3.6	5.2
Occupancy	6.1	7.6	6.0	6.1	5.5	5.6
Warehouse	7.2	5.7	7.1	8.5	8.7	10.1
Office & credit	13.3	12.3	12.7	13.9	14.3	12.6
Data processing	4.6	2.2	6.0	4.7	3.4	4.6
Administrative	14.4	19.1	15.8	16.5	12.6	13.0
Total Departments	95.1	97.8	94.0	97.2	90.7	93.0
Profit:						
Operating profit	-6.1	-4.1	-5.5	-2.4	-6.4	-6.7
Interest paid	2.9	3.2	3.4	1.7	3.3	2.1
Other income (net)	0.8	2.4	0.4	2.0	0.9	0.8
LIFO adjustment	0.2	2.4	0.0	0.3	0.4	-0.4
Net profit before tax	-2.1	-1.4	-2.8	-1.3	-6.4	-4.4
Net profit after tax	-1.4	-0.6	-1.6	-1.4	-4.5	-2.9
Personnel Productivity Ratios:						
Outside sales PPR	19.1	22.8	18.8	19.3	21.9	18.4
Inside sales PPR	9.4	10.1	8.9	9.3	9.3	10.8
Purchasing PPR	3.8	4.8	4.4	3.1	3.3	3.1
Delivery PPR	2.2	0.8	2.1	2.3	2.1	2.3
Warehouse PPR	6.1	4.7	6.0	5.4	6.2	7.4
Office & credit PPR	7.0	7.2	7.0	7.1	6.7	6.6
Data processing PPR	2.4	N/A	2.8	2.3	1.7	1.9
Administrative PPR	9.2	11.6	9.1	11.9	8.0	8.1
Total PPR	62.0	61.4	62.0	65.2	59.5	64.1
Asset Management:						
Leverage	2.2	2.0	2.2	2.2	2.3	1.8
Current ratio	2.1	2.3	2.0	2.1	2.0	2.5
Asset turnover	2.6	2.4	2.8	2.8	2.8	2.5
Inventory turnover	2.4	2.2	2.5	2.9	2.3	2.2
Accounts receivable days	45.2	43.3	45.0	44.1	46.3	48.6
Return on investment	3.8	4.0	3.0	2.4	7.5	4.4
Other Measures:						
Gross margin/employee ($000)	37.7	36.7	36.2	40.3	44.0	39.6
Gross margin/LOB** ($)	16.71	16.76	16.04	16.90	17.02	18.92
Operating cost/LOB ($)	15.82	16.00	14.33	16.73	16.19	17.79
Sales growth (%)	-4.5	-6.6	-5.4	-2.2	2.8	-4.3
Inventory change (%)	-1.6	0.5	0.3	-5.9	-0.2	-3.0

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Productivity report . . .

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fulfillment. Many companies now set different standards for order fill and lead time according to the type of industry as well as the end use of the product ordered; for example, purchasing for inventory vs. purchasing to resolve a machine-down situation or meet a specific needed date for jobsite use.

- **Identify the least profitable customers and overcome the causes of their low profitability, if possible.** Sometimes smaller customers simply aren't aware of proper ordering procedure, inventory management and planning techniques and the like, and assistance in these respects may be all that's needed to turn them into profitable customers.
- **Develop subroutines for repetitive "exceptions."** The simplest kind of exception is probably a stockout. The subroutine can be either computerized or manual; it's basically a decision tree which asks a series of questions. The questions may be fairly extensive, depending on the type of business, but once they have been programmed into a decision tree, the rep handling the order will have guidance for most exceptions of this type.
- **Test new approaches.** Three that offer particular promise for cost reduction include; 1) assignment of customer service reps by account rather than on a random basis; 2) calling customers on schedule rather than waiting for them to call in orders; and 3) providing incentives or bonuses for reductions in error rates, improvements in productivity, etc.
- **Review total order cycle for inefficiencies.** One firm receives hundreds of orders on business reply cards of various sizes and shapes. The cards are laid out in different ways, so that order information appears in different positions on different cards. For example, on one card "weight" and "quantity" appear in certain positions, while on another card from a different mailing, the "weight" box might appear where the "quantity" box appeared on the first card, and vice versa. This requires a costly and time-consuming double check of all orders to prevent order entry errors—an expense that could largely be avoided simply by using the same format for all order cards.
- **Improve information and feedback systems.** Many costly errors occur because the right information isn't at the right place at the right time.

Excerpts from
Customer Service Newsletter,
Marketing Publications,
Silver Spring, MD

SPECIALTY TOOLS & FASTENERS DISTRIBUTORS ASSOCIATION

STAFDA

Sales, confidence rebound in tools & fasteners

Sales were up nearly 20% for Specialty Tools & Fasteners Distributors Assn. (STAFDA) members in 1983 from the previous year, according to the association's *Operating Results Report*. Return on net worth was 15.9%—rebounding from last year's five-year low of 11%.

STAFDA members, which includes 556 distributors, sell power tools and accessories primarily to the construction industry. STAFDA's distributors are selling roughly $2.25 billion worth of goods a year, according to Morrie Halvorsen, the association's executive director.

Gross margin was typically 34.1% of sales, the report states, which, after operating expenses of 31.3% produced an operating profit of 2.8%. The net profit *after* tax was 2.2%.

These figures, viewed as indications of a strong recovery in the industry, were generally up from 1982 but do not reach the levels of the late 70's and early 80's (see chart). However, many STAFDA members are very confident about the state of the industry.

"I'm very optimistic about the next couple of years," claims Joe Woods, head of Joe Woods Sales Co., Dallas, TX. "I'm covering Texas, Louisiana and Oklahoma and these areas—especially Texas and Oklahoma—are growing considerably."

Woods says a good deal of his growth is the result of the large amount of commercial construction under way in Dallas and Austin. "I expect to do about 15% more this year than last year and expect this kind of growth to continue," he says.

5 Year Trend

	1983	1982	1981	1980	1979
1. Percent of Sales Increase	19.2%	−1.9%	5.3%	5.6%	21.9%
Average Dollar Sales Volume ($ Thousands)	$3,256	$2,927	$3,000		
2. Gross Profit (% of Sales)	35.0%	35.3%	37.0%	33.9%	33.5%
3. Sales Per Employee	$130,869	$134,435	$122,099	$118,876	$114,163
4. Gross Profit Per Employee	$43,130	$43,846	$46,875	$41,141	$38,241
5. Net Profit BEFORE Taxes To Net Sales (%)	2.7%	2.1%	4.4%	4.7%	6.0%
6. Net Profit AFTER Taxes To Net Sales (%)	2.2%	1.5%	2.7%	3.2%	3.6%
7. Inventory Turnover (times)	4.1	3.7	4.4	4.1	4.0
8. Return on Net Worth (%)	15.9%	11.0%	18.2%	17.9%	29.1%
9. Current Ratio	2.8	2.9	2.6	1.8	2.1
10. Bad Debt Losses (% of Sales)	.3%	.6%	.6%	.5%	.6%
11. Change in Inventory Level (%)	17.1%	1.1%	13.9%	20.6%	26.3%
12. Accounts Receivable - Days Outstanding (Accounts Receivable ÷ Total Sales per Day)	43 days	40 days	40 days	43 days	46 days

Chuck Young, president of Cascade Contractors Supply, Bellevue, WA, also feels that business will continue to be strong. "Business is great. In our area there is a lot of construction. It seems that right now the contractors are not anticipating high interest rates or inflation; they're just going ahead and building projects.

"The next year coming up is going to be another outstanding year—I'm sure of that. We are going to increase our inventory and probably open up another branch," he says.

However, not every distributor is sure of growth. Paul Connelly, of Construction Tool Service Inc., Pittsburgh, PA, claims that his area is not strong right now. "Pittsburgh is a little bit of a blit in the marketplace," he says. "I was looking at the results and we're holding our own compared to '83 but it is not a growth situation. Our fortunes are still somewhat tied to the steel industry.

"But we're a little unusual; in '82 when other STAFDA houses were down, we

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STAFDA . . .

Distributor profile

The 1984 STAFDA *Distributor Profile Survey* indicates that industry sales in 1984 appear to be running 25% higher than in 1983. Other interesting information in the survey includes:

- Compensation for owners/managers, on average, increased 14.3% in two years.
- Members extended fringe benefits in approximately the same ratio as in 1982 (except for a 10% drop in pension plan programs).
- Product liability claims increased slightly, but only 2% of the members reported problems obtaining coverage. Coverage premium decreased or stayed the same for 79%.
- Two years ago 48% of the members had in-house computers. Today, 69% do.
- Only 8% of the distributors have union employees, up from 6% in 1982.

weren't because of a downtown building expansion that was going on."

Still, Connelly is not without some optimism. "I see slow growth for the next couple of years, subdued growth and low inflation," he states.

Another important part of the study is the section called "Determinates of High Profitability" in which "high-performance companies" were analyzed.

The report notes that "there is no single factor that leads to higher performance. Rather, there is a combination of relatively minor factors that in aggregate help firms operate more profitability."

Among the factors noted in the report are:

- *Inventory utilization.* The more successful distributors are very good at managing inventory, and their ability to pay attention to small details made a big difference in inventory management.
- *Bottom line performance.* A big difference between high profit makers and other companies was their ability to keep lower operating expenses and lower interest expenses.
- *Asset turnover.* High-performance distributors were able to have more sales per dollar invested in assets.

Other important factors in determining profitability were sales per outside salesman and selling to building/residential contractors. Equally important are the factors that did *not* influence profitability: size, accounts receivable and product mix.

Bill Kelley

Industrial Distribution

December 1984

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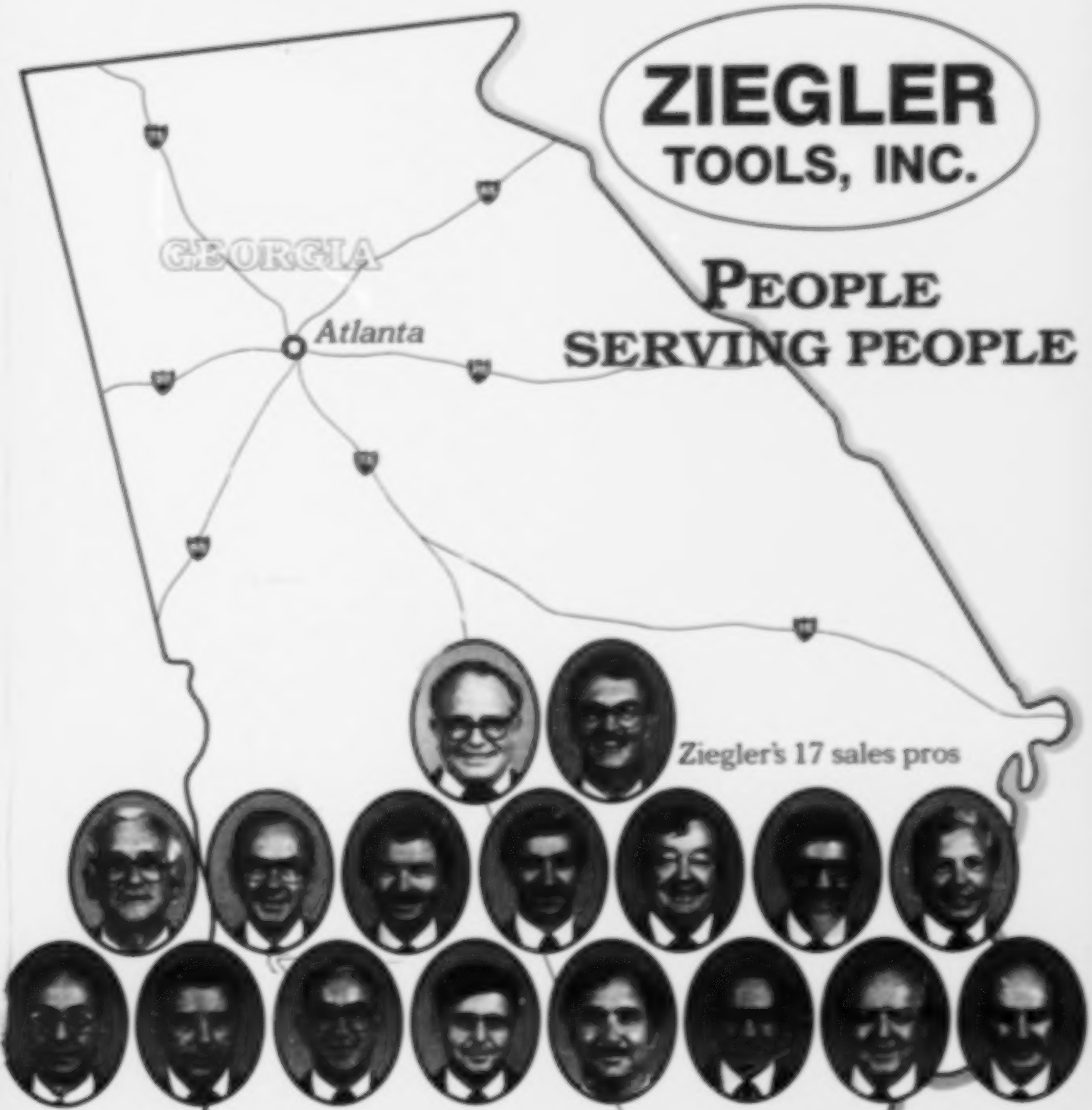
Hotline:
Distributors prepared
for slower growth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Industrial Distribution

VOL. 73 NO. 12/73rd yr. A TECHNICAL PUBLISHING PUBLICATION DECEMBER 1984

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Selling on Empty

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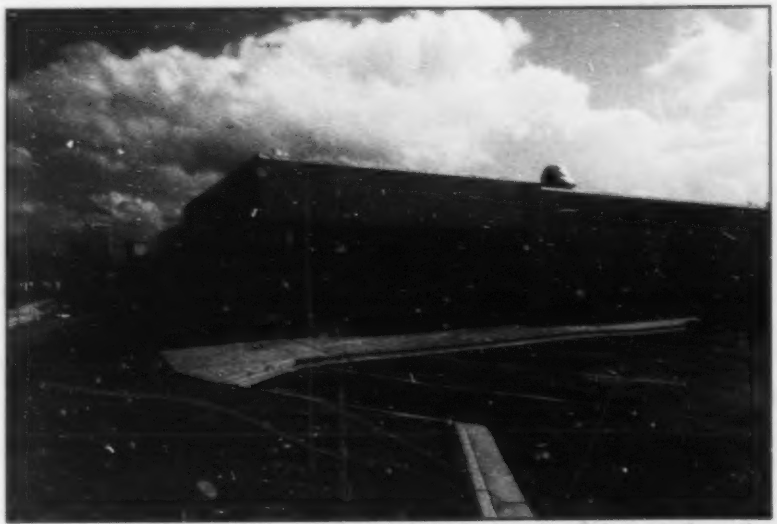
ZIEGLER TOOLS . . . PEOPLE SERVING PEOPLE



Today when being competitive means applying the latest techniques to the entire operation, this distributor has molded them around the talents and adaptability of his people. Result: a people-oriented organization, controllable operating costs and consistent growth.

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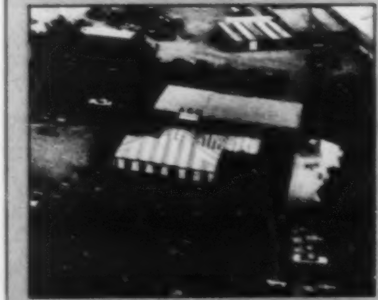

Open house proves strong marketing tool; Double storage area w/mezzanine systems; What it takes to be a good manager; Video cassettes aid marketing effort; reduce inventory w/out losing service.

Lendvoyi

recently after a 38-year career with Grandsen. Valentine will continue to serve Grandsen until early 1986 as a general advisor and consultant.

Lendvoyi, 42, began his career working for General Motors in 1960 leaving in 1967 to work in industrial sales. He joined a division of Hall Industries Corp., Warren, MI, in 1973, later transferring to its Chas. A. Strelinger division. ☐

SIDA 83rd convention meets in San Antonio February 3-5

SAN ANTONIO—The Southern Industrial Distributors Assn. will meet here from February 3-5 for its 83rd Annual Convention.

SIDA president Fred C. Williamson says the theme of this year's convention, "Partners For Profit," reflects the need for ". . .a new way of working together that will make us true partners for profit well into the 21st century.

"Given a clear vision of our needs and a dedication to meeting them," said Williamson, "we can begin to meet our obligation to our industry and in turn to our country."

The keynote speaker at the SIDA convention will be Dr. William C. Freund, senior vice president and chief economist with the New York Stock Exchange. Dr. Freund will discuss his economic expectations and how they will impact manufacturing and industrial distribution.

On Monday, February 4, four concurrent workshops will take place: "Manufacturer/Distributor Communications: A Two Way Street," "Manufacturer/Distributor: Developing A Marketing Plan," "The Factory Field Representative: A Profit Maker/Problem Maker," and "How the Owner/Manager Can Be An Effective Sales Manager."

Three Conference booth Programs are scheduled for the SIDA convention. Programs 1 and 2, held on Monday at 3:00 pm and Tuesday at 9:30 am respectively, require no appointments while Program 3 on Tuesday at 2:30 must be pre-scheduled.

The convention will conclude Tuesday evening with a "Texas barbecue and hoedown."

For information on SIDA's 83rd Convention contact: SIDA, 11 Corporation Square, Suite 200, Atlanta, GA 30329. ☐

1984 NIBA meeting sounds a theme of future growth

ARLINGTON, VA—From NIBA president, Thomas H. Dunham's "Business Is Good!" introduction in the program to Dominic Olivieri of the Rubber Manufacturers Assn. telling the gathering that, "I find myself in the role of bearing good tidings," the mood at NIBA this year was definitely upbeat.

Analyzing the recovery in the belting industry, Dominic Olivieri, manager of the RMA's management information services, said that growth in various market sectors including steel, agriculture, construction, lumber and mining are fueling the growth.

Making future projections, Olivieri said that "Opportunities for the industry in flat belting are at their brightest point in years," and that 1984 should see an increase over 1983 of 7% overall.

Olivieri also noted that "After having the task for the past four years of standing before you and presenting a rather dismal picture for the future, it is indeed my pleasure to end with the outlook that the downward slide experienced by the belting industry since 1979 has at last reversed and the industry is on the way up." ☐

DC/UPC systems merger endorsed by ASMMA

PHILADELPHIA—The distribution code (DC) file of 15,000 manufacturers' numbers has been delivered to the *Universal Product Code* (UPC) headquarters for merger into one combined system.

According to Robert Clifton, president of the Distribution Codes Institute, approval of the merger by ASMMA's Board will permit growth of electronic order communications on which a joint ASMMA/NIDA/SIDA Committee is currently engaged in research and development.

Clifton points out that the DC/UPC code is now the preeminent code in use in American business and for international operations through its compatibility with the EAN code in use in the rest of the world. ☐

Indicators . . .

The *NIDA-SIDA Industrial Distribution Index* appears to have taken a breather in September dropping to 138.9 from 144.7 in August. The 5.8 decrease still leaves the *Index* at its second highest point in 34 months and a full 17.3 points ahead of September 1983. The drop may be a technical adjustment to the large 10.6 rise which occurred between July and August, the greatest in the history of the *Index* . . . The *SIDA Monthly Sales Trend Report* for August increased by 10.87 over July with strength being seen across the board regionally, particularly in SIDA area 2 (FL, GA, SC, and Puerto Rico) which registered an 18.17 gain. The August figure is 18.66 ahead of August 1983 and 23.06 higher on a 1984 year-to-date basis compared with 1983 year-to-date . . . *ASMMA's New Order Index* increased by a healthy 8.8 points or 7.3% in August compared with July. The August figure of 129.1 is 25 points higher than the August '83 figure and the highest figure recorded since August 1981 . . . The American Machine Tool Distributors Assn.'s *Distributor New Order Index* declined by an infinitesimal .1 in August compared to July but still remains 22.6 points ahead of August '83 for a 45% increase . . . National Wholesale Hardware Assn.'s *Hardware Sales Index* improved by .9 in September to 111.8 from 110.9 in August for an adjusted increase of 6.3%. All regions reported increases ranging from a low of 5% in the Great Lakes to a high of 18.8% in the East Central states with the sole exception of the Southwest which registered a 1.3% decline . . . The National Welding Supply Assn. *Welding Supply Index* fell by 7 points in September from August's level 179.9 while still maintaining a 20.4 lead over September '83. Year-to-date '84 figures are 19% ahead of the same period last year . . . The National Assn. of Aluminum Distributors *Quick Pulse Index* of shipments advanced to 123.1 in September from an August level of 116.3. The latest figure represents a rebound for the second month in a row from losses which occurred earlier in 1984 . . . The National Machine Tool Builders' Assn. reports that machine tool orders rose 83% in the first three quarters of 1984 compared to 1983.

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REGIONAL REPORT

September sales continue decline

An erratic period of sales gains and declines over the past several months has evolved into a downtrend with sales gains pared nationally for the second consecutive month. A gain of 9% in the September figures shows a drop of 10 percentage points from August and 20 percentage points from July.

The regions holding up best were New England and the Middle Atlantic where 10% gains over last year were recorded. The weakest regions were Pacific and South Atlantic, barely holding to the plus side with 2% gains, year-to-year.

In area reporting, Upstate New York was strongest, up 17%, and Georgia-Florida weakest, being even with last year.

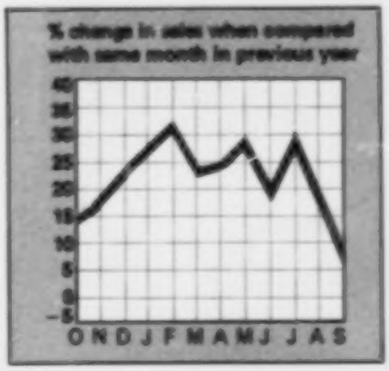
Month-to-month reporting confirms the negative sales trend in September with every region and area negative. The decline nationally was 8%, although some of the regions and areas registered double-digit drops. In the previous Report, all regions/areas were in the plus column, except West South Central.

The only figures still holding well are the first 9 months of '84 compared to '83. A gain of 20% nationally compares with 25% in August, 26% in July and 24% in June. Because these figures are cumulative, a downward trend in sales isn't likely to be sharp enough to immediately affect the monthly totals.

For the first time prior to the recession, receivables (for general line distributors) have broken under the 40-day mark, settling at 39 against last year's 41. □

RECEIVABLES*	Sept. '84 Gen.	Sept. '84 Spec.	Sept. '83 Gen.	Sept. '83 Spec.
New England	43	50	42	48
Middle Atlantic	44	47	41	45
South Atlantic	36	38	34	36
East North Central	38	45	37	41
East South Central	39	—	44	—
West North Central	—	—	—	—
West South Central	—	41	—	47
Mountain	29	—	47	—
Pacific	42	42	41	42
National	39	44	41	43

*Average days outstanding



Sales trend downward in September . . .

SALES BY REGIONS (% change)	Sept. '84 vs August '84 Gen.	Spec.	Both	Sept. '84 vs Sept. '83 Gen.	Spec.	Both	1st 9 mos. '84 vs 1st 9 mos. '83 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−4	−9	−7	+16	+7	+10	+19	+22	+21
Connecticut	−2	−4	−3	+20	+10	+16	+26	+9	+20
Massachusetts	−5	−10	−9	+11	+6	+8	+15	+25	+21
MIDDLE ATLANTIC: NY, NJ, PA	+11	−14	−5	+19	+4	+10	+17	+24	+21
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	+4	−14	−4	+32	+2	+17	+24	+26	+25
Pennsylvania	+8	−20	−9	+6	−2	+2	+13	+24	+19
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−12	−10	−11	−3	+4	+2	+17	+11	+13
SC, VA, WV	—	—	—	—	—	—	—	—	—
Georgia-Florida	−3	−10	−9	−10	+3	0	+7	+19	+16
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−13	−10	−11	+5	+10	+9	+12	+27	+23
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−8	−13	−12	0	+12	+10	+16	+36	+32
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−19	−8	−14	0	+24	+10	+21	+41	+29
Ohio	—	0	—	—	+17	—	—	+22	—
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−16	—	—	−6	—	—	−4	—	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	—	−12	—	—	−12	—	—	+17	—
Texas	—	−12	—	—	−12	—	—	+17	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−1	—	—	−5	—	—	+3	—	—
PACIFIC: CA, OR, WA	−2	−9	−4	+28	+14	+2	+22	+18	+21
L.A.-San Diego	—	−5	—	—	+11	—	—	+11	—
Oregon-Washington	−20	−16	−19	+10	+10	+10	+22	+12	+17
U.S. TOTALS	−5	−11	−8	+15	+5	+9	+18	+21	+20

Distributors prepared for slower growth

In its annual survey of distributors *ID* found that most expect the torrid pace of sales to slow in 1985 to more traditional levels

NEW YORK—Armed with the latest computer-generated models and the largest data base available, economists are still finding that economic forecasting can be as much an exercise in speculation as a science.

The projections of economists reviewed by *ID* indicate that, although working with identical data, they are arriving at widely divergent conclusions concerning the state of business and industry in the coming year.

Addressing a group of inventory specialists recently, Dr. Michael K. Evans, a Washington economist acknowledged that economic forecasting has become, in his words, "more precarious and generally less accurate."

Discussing the frequent lack of agreement among economists, William H. Holbrook, president of Vonnegut Industrial Products in Indianapolis, and himself a Harvard MBA with a degree in economics, tells the following story:

Every year the Dean of the Kennedy School of Government at Harvard addressed the incoming Freshman class. His theme was always the same. He told them that on any economic question you can think of, you can get opinions from zero to 360 degrees from economists. All of them equally learned, equally experienced and equally regarded. But only one of their positions can be right. Which one it is, said the Dean, nobody knows.

The Dean also likened economists today, to doctors 100 years ago and said it was statistically demonstrable that if you were ill and put yourself in the hands of a doctor a century ago, your chances for survival were less than if you ignored the doctor and let nature take its course. Economists, said the Dean, are in about the same position as doctors were 100 years ago.

Economic forecasting which is highly conjectural at the best of times is particularly speculative for 1985 with so many seemingly contradictory economic phenomena taking place.

According to a recent study of consumer confidence by New York's Conference Board, consumer confidence remains high with only 16.3% expecting there to be fewer jobs in the first quarter of 1985.

Another Conference Board study, however, states that "The current economic recovery is showing signs of cooling off in most major industrial countries, with the most pronounced slowdown in the United States."

The report goes on to note that the leading index in the U.S. is advancing at annual rate of only 2%, "down sharply from 10% three months earlier and 15% at the beginning of the year."

And a study by New York economist, Dr. Pierre Rinfret, is positively ecstatic. Releasing the results of his annual capital expenditures survey, Dr. Rinfret predicts that in 1985, U.S. industry will surpass 1984's strong spending by 11.4%, which in turn exceeded 1983 levels by 13.2%.

'Customers are looking for engineering ability to help them solve their problems rather than simply order takers.'

—Muth

"Reflecting the strong rebound in capital goods demand," notes Dr. Rinfret, "the nonelectrical machinery subsector, led by machine tools and construction equipment, anticipates a rate of increase that will be about five times greater in 1985 than in 1984."

American Production & Inventory Control Society economist Evans, however, is not so sanguine. Taking aim at "several bemused economists who generally claimed that the economy could continue to expand rapidly even in the face of high and sharply rising interest rates," Evans sees the economy entering a "pause."

When this happens, says Evans, growth turns sluggish for two or three quarters. After that, the economy generally rebounds or, if interest rates have not declined during the pause, "may head back into another recession. The economy has now entered the slowdown phase," Evans stresses ominously.

What's a distributor to do?

In a survey of distributors from coast to coast and from north to south, *ID* found that there existed a feeling of guarded optimism combined with great uncertainty about the 1985 economic outlook.

For example, Jack Muth, president of Delta Industries, Inc., a Portland, OR, distributor, said that although last year was the first in which his firm has been profitable since 1981, he expects the recent upturn to continue.

"People are improving their systems and updating their equipment," notes Muth, "but it's on a more competitive and selective basis. Customers are looking for engineering ability to help them solve their problems and provide them with cost effective equipment, rather than simply order takers.

"Years ago," said Muth, sounding what was to become a recurring theme, "customers were only interested in the initial cost. Now they're interested in the total picture and what it's going to cost to operate over a period of time."

Muth, who operates with 11 employees compared with 42 in 1980 notes that "When you solve problems, you can do well."

At the other end of the country and on the other side of the spectrum, Charles J. Houston, Jr., executive vice president of Industrial Suppliers of Worcester, Inc., a Massachusetts distributor, notes that "We're about 15% ahead of last year but I don't have any sense of confidence that 1985 is going to be a strong year."

While stating that the firm "likes" to register 20% increases per year, Houston says, "We expect to be 10-15% ahead of 1984 if our sales promotions work well. Of course," he adds wistfully, "we don't have inflation anymore to build our sales that extra 8-10%."

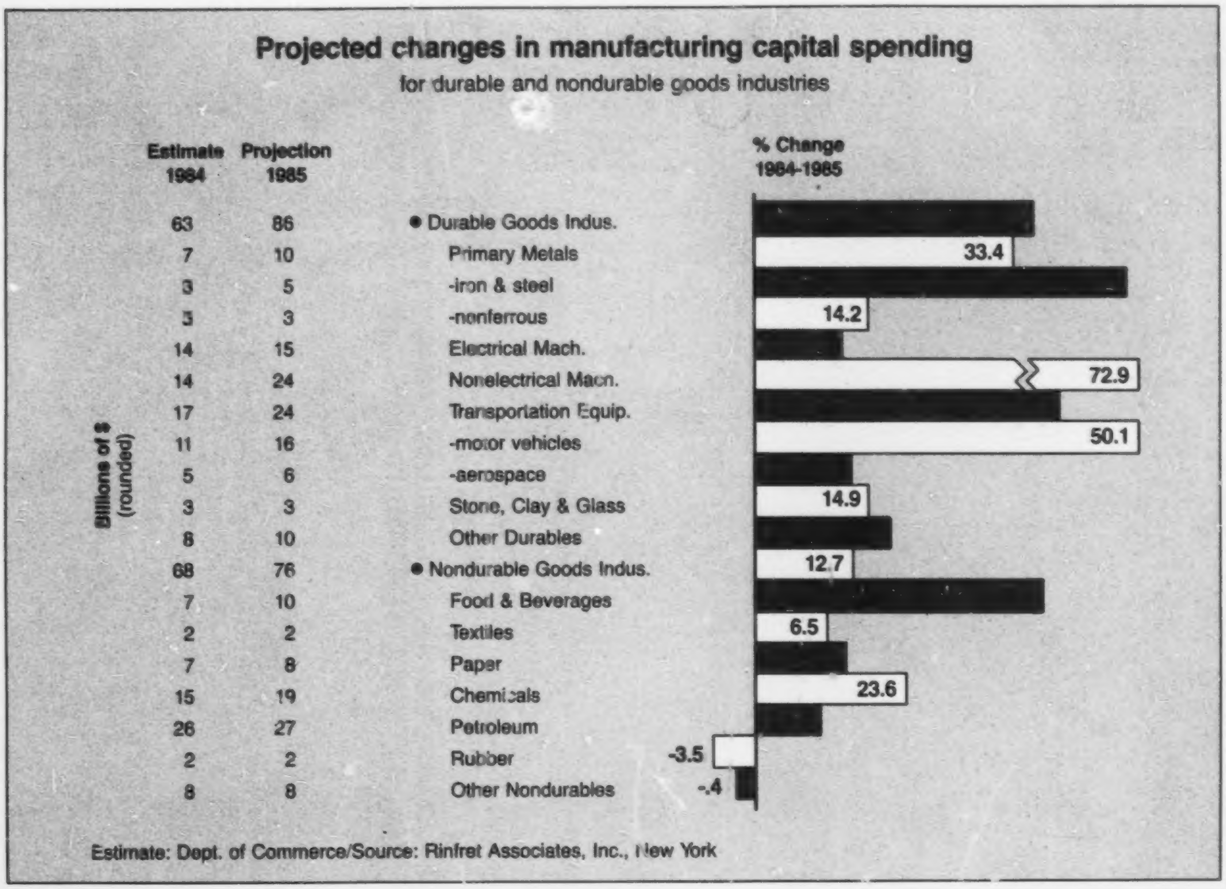
Houston also points out that Worcester, MA, is experiencing an influx of high-tech companies overflowing from the Boston area, which he feels, has been a catalyst for growth.

Reporting from Jackson, MS, Van A. Brocato, president of Mississippi Bearing, Inc. is looking for a 15% increase in 1985 as opposed to the 20% he experienced in 1984.

"The dollar value of each order has only increased by 5%," emphasizes Brocato, "but we're doing more business overall."

Up "north" in Detroit, Bill Cornett, general manager of Smith Welding Supply Equipment, says that he is "guessing" that business will be up 10-12% in 1985, adding that distributors may have to redefine what they consider *normal* business.

"We keep talking about getting back to normal," states Cornett, "but if by normal we mean what we were enjoying before the recession, we may have to settle for 80% of



Projected changes in manufacturing capital spending

for durable and nondurable goods industries

	Estimate 1984	Projection 1985	% Change 1984-1985
● Durable Goods Indus.	63	86	
Primary Metals	7	10	33.4
-iron & steel	3	5	
-nonferrous	3	3	14.2
Electrical Mach.	14	15	
Nonelectrical Mach.	14	24	72.9
Transportation Equip.	17	24	
-motor vehicles	11	16	50.1
-aerospace	5	6	
Stone, Clay & Glass	3	3	14.9
Other Durables	8	10	
● Nondurable Goods Indus.	68	76	12.7
Food & Beverages	7	10	
Textiles	2	2	6.5
Paper	7	8	
Chemicals	15	19	23.6
Petroleum	26	27	
Rubber	2	2	-3.5
Other Nondurables	8	8	-.4

Estimate: Dept. of Commerce/Source: Rinfret Associates, Inc., New York

the old levels and that might be the new norm."

While noting that in the Detroit area, construction has been weak and "what happens with auto sales is anyone's guess," Cornett stresses that "We're not back up to 1979 yet, but we're close."

> **'We may have to settle for 80% of the old levels and that might be the new norm.'**
>
> **—*Cornett***

Rod Rossman, vice president marketing with Hose and Rubber Supply in Casper, WY agrees with Cornett's prognosis saying "In 1984 we've grown about 15% over 1983 and we see more of the same in 1985. And our figures are based on business slowing down."

Rossmann also notes that his firm is only six years old and "in the first five we experienced a 40% growth rate so things are pretty slow for us." He claims that 1982 "terrible" and the company lost much of its growth "and we're still not back to pre-'82 levels but we're getting close to it."

Sounding one of the few notes of genuine pessimism encountered during this survey, R.P. Barrett, vice president of Tri-Tex Machine & Tool Company in Houston pointed out that because his business is tightly tied to the oil industry, "Until things start moving, we're going to stay where we've been for the last year-and-a-half and it's been awfully slow although I think we've definitely bottomed out.

"I'd like to think there's going to be an improvement," says Barrett, "but there's too much shakiness worldwide in the oil industry.

"Two years ago we shut down our Dallas operation, we shut down our Beaumont operation and we sold our San Antonio store so we're back to a one-house operation in Houston."

A 15-20% increase is also the projection of Jim Johnston, Jr., vice president of Johnston Industrial Supply, Inc. located in Fresno, CA.

According to this cutting tool distributor, a flat 1983 was followed by an increase of 30-35% in 1984. "More businesses have come to Fresno which has always been a farm community and the farmers ride such an up and down tide that it can really hurt sometimes," indicates Johnston, "but we're looking for a healthy increase in 1985."

And finally, Ronald R. Becker, president of Becker Equipment Co., a Wyomissing, PA distributor, speculates that, "We're looking at 1985 being pretty active through the first quarter and then dropping off after that. I'd expect a decrease of as much as 25% next year."

He also adds, however, that since May of '84, "Business has been very, very active," but qualifies that by pointing out that 1983 was not a particularly profitable year.

Located in the Reading steel area of Pennsylvania, Becker says "From various businesses becoming a little busier recently, our business has increased as well."

With the memories of the "dark days" of 1981 and 1982 still etched indelibly in their memories, distributors view the projected increases of anywhere from 10-20% with positive euphoria. As Bill Cornett of Smith Welding Supply in Detroit pointed out, it's all a question of how you define normal.

Doug Harper

Industrial Distribution

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January 1985

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Hotline:
"Zero inventory" poses questions for distributors

1985: New markets, new technologies, new challenges

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If you sell electric motors, you should demand a few extras from your motor supplier. Like extra service: before, during and after each sale.

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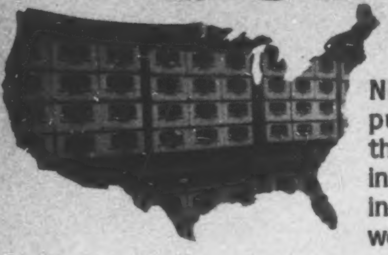

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NEWS...

Indicators . . .

All three key indices retreated this month as concern increased over the growing Federal deficit and a worsening trade imbalance. The NIDA-SIDA *Industrial Distribution Index* for October dropped 2.4 points from September to register 136.5 nationally. The biggest loss during the month occurred in the South which lost 6.7 points, accounting for most of the national decline. The East gained fractionally while the Midwest and West showed modest declines. Despite the drop, with the exception of August and September of 1984, the current figure is still higher than at any time since November of 1981 . . . The September SIDA *Monthly Sales Trend Report* retreated 9.80 points with all regional areas showing losses ranging from a moderate 5.53 drop in Area 2 (FL, GA, SC, Puerto Rico) to a 13.20 loss in Area 1 comprising NC, VA and WV. Despite the drop, September '84 is 3.55 ahead of September '83 and '84 year-to-date shows an 18.47 point improvement over year-to-date '83. Of the 105 locations reporting, 68 reported decreased sales in September vs August 1984 . . . ASMMA's *New Order Index* also dropped in September down to 121.0 which represents an 8.1 or 6.3% decline from August. Despite the drop the Index for September is 16 points higher than September '83 and 28.9 points above September '82 . . . American Machine Tool Distributors' Assn. *Distributors' New Orders Trend* rose by a minute 0.6% in September to 66.9 from 66.5 in August. In September '83 the index stood at 47.8 . . . The National Hardware Assn. *Hardware Sales Index* increased to 113.9 in October from 111.8 in September while daily average sales in the month declined by 4.2%. The Southeast region showed the strongest index gain registering a 13.9 point increase over September. Biggest losers were the East Central states which showed a 13.7 drop in October . . . The National Assn. of Aluminum Distributors *Quick Pulse Index* shows shipments advancing to 127.3 in October from 123.1 in September for 3.4% increase. The National Welding Supply Assn. *Welding Supply Index* jumped to 196.6 in October, a 23.7 point increase over September and the highest level since the index began in 1977.

REGIONAL REPORT

Sales rebound in October

After sharp drops in August and September, distributor sales for October increased significantly, up 25% compared to October '83.

All of the regions reporting were up by similar figures with the Middle Atlantic the high at 28%, Pacific the low at 20%. All of the areas reporting were also positive for both general liners and specialists, with Oregon-Washington the high at 41%, Wisconsin the low at 22%. No negative sales figures appear at all in year-to-year statistics.

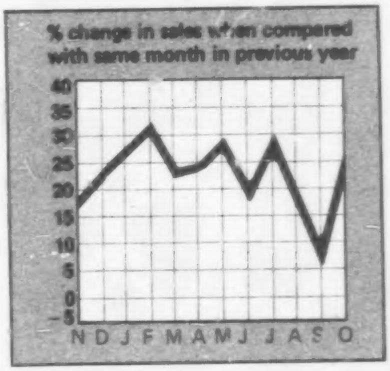
Month-to-month statistics for October confirm the reversal with the U.S. Totals up 13% compared to −8% in September. Only two negatives appear in this list, general line distributors in PA at −1%, and specialists in OH at −2%. In the September figures, negatives predominated in both regions and areas.

Figures for the first 10 months of '84 continue to be positive. A gain of 21% nationwide compares to 20% in September, and is indicative of the strong year 1984 has been. In regions, Upstate New York is having the best cumulative sales at 27%, West North Central the low at a still respectable 16%. Most of these figures, in double digits, will probably hold up and close out the year.

Receivables have begun to fall, with most all the figures comparing favorably with last month's statistics. The national average for both general liners and specialists could break under the 40-day mark within the next few reports. Regionally, on average, Middle Atlantic is the high at 45.5 days, while South Atlantic and West North Central share the low at 36.5.

RECEIVABLES*	Oct. '84		vs	Oct. '83	
	Gen.	Spec.		Gen.	Spec.
New England	46	—		41	—
Middle Atlantic	46	45		47	45
South Atlantic	36	37		35	35
East North Central	39	41		39	42
East South Central	37	—		36	—
West North Central	34	39		—	38
West South Central	—	44		—	36
Mountain	—	—		—	—
Pacific	41	40		43	39
National	40	41		40	40

*Average days outstanding



October sales sharply higher . . .

SALES BY REGIONS (% change)	Oct. '84 vs Sept. '84			Oct. '84 vs Oct. '83			1st 10 mos. '84 vs 1st 10 mos. '83		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+16	—	—	+18	—	—	+19	—	—
Connecticut	+15	—	—	+21	—	—	+25	—	—
Massachusetts	+17	—	—	+19	—	—	+15	—	—
MIDDLE ATLANTIC: NY, NJ, PA	+12	+16	+15	+45	+19	+28	+20	+19	+19
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	+19	+11	+16	—	+11	—	+29	+24	+27
Pennsylvania	−1	+35	+18	+14	+29	+23	+13	+18	+16
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+14	+12	+13	+17	+25	+21	+19	+16	+18
SC, VA, WV	—	—	—	—	—	—	—	—	—
Georgia-Florida	+11	—	—	+15	—	—	+8	—	—
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+16	+7	+9	+19	+26	+23	+20	+23	+22
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+20	+7	+9	+24	+21	+22	+16	+34	+21
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	—	—	—	—	—	—	—	—
Ohio	+23	−2	+8	+27	+20	+23	+19	+25	+23
EAST SOUTH CENTRAL: AL, MS, KY, TN	+12	—	—	+34	—	—	+38	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+8	+28	+23	+3	+28	+24	−3	+20	+16
WEST SOUTH CENTRAL: AK, LA, OK, TX	—	+19	—	—	+18	—	—	+16	—
Texas	—	+19	—	—	+18	—	—	+16	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+15	+12	+14	+27	+37	+20	+24	+21	+23
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+33	+15	+23	+41	+42	+41	+24	+16	+20
U.S. TOTALS	+14	+13	+13	+27	+24	+25	+22	+20	+21

1985: New markets, new technologies, new challenges

Although slower growth is predicted for 1985 by just about every major economist, a demand in select industries for new and redesigned products reflecting the latest state-of-the-art offers the distributor unusual profit opportunities.

The health of the national economy no longer guarantees, as it once did, healthy regional business conditions throughout most of the country. Factors such as product imports, oil gluts, rapidly changing markets based on new products and new technologies, and new state and local taxes all impact on a given region's business climate. Indications are that 1985 will be a more sobering if less robust year than 1984, with the emergence of some new and important trends influencing the growth of new industries and the further decline of some traditional ones.

According to Labor Dept. statistics, since 1979, 2.4 million jobs have been lost in high paying industries such as manufacturing, mining and construction, while 4.2 million new jobs have been created in lower paying service industries such as wholesale and retail trade, and personal and legal services. It seems obvious now that this trend is not about to reverse itself, but is most likely to continue. While some of this change is due to a declining U.S. market—especially in the steel industry—a good part is also due to high tech and automation. But for distributors, in particular, it is important to put this in its proper perspective and not get carried away by the high tech syndrome sweeping the country.

by **Milton J. Ellenbogen**
Managing editor

An analysis of the current state of distribution now that the economic upturn has moderated reveals that distributors' fears about dramatic changes in the way they operate are unfounded. For example, predictions of a flood of high tech innovations that would affect their inventories and operations, and other predictions that decline of the smokestack industries would continue, were overstated. The fact is industrial distributors are still doing the bulk of their business with the same products and the same customers.

> 'With the auto industry leading the way, robots will continue to make a dent in the work force.'

Generally, there have been some significant changes but they were mainly evolutionary. At this point, distributors are busier studying the challenges of high tech and changing markets than they are investing heavily to meet the new challenges, which might prove premature.

Following are summaries of some of the challenges and opportunities foreseen for industrial distributors in 1985 and beyond.

Robots and automation

With the auto industry leading the way, robots will continue to make a dent in the work force. As expected, initial purchase of robots along with computer-aided design and manufacturing equipment for factory automation, have been highly specialized purchases. However, the market for replacement parts as well as customized expansion will almost surely involve distributors where they measure up to the needed requirements.

Industry's move into ever-higher degrees

1985: Consensus of major economists (averaged)
% Change From Prior Quarter

	Real GNP	Consumer Prices	Industrial Production
1st Qtr.	3.0	5.3	4.7
2nd Qtr.	2.7	5.6	3.5
3rd Qtr.	2.5	5.8	2.7
4th Qtr.	2.4	6.0	2.6

Source: Blue Chip Economic Indicator

Expenditures for new plant and equipment

	$ Value (in billions)	% increase (over previous yr.)
'83	302.5	—
'84	350.6 Est.	13.7 Est.
'85	377.7 Est.	4.6 Est.

Source: McGraw Hill Economics

of automation will force distributors into restocking and retraining programs. Simple automation no longer exists. The newer technologies impinge on each other. For example, today there are vision systems that link video cameras with computers to perform visual inspections of parts and instruct assembly lines, which may include robots, to perform specific tasks on the factory floor.

Products familiar to the distributor are being modified or improved to meet new standards of precision and versatility. These include, among others, fluid power components such as control valves, actuators, pumps and fluid motors; servos and other mechanical or electromechanical power transmission elements; sensing and handling subsystems; and many of the cutters and other tools in direct contact with the workpiece in the automated unit.

Watch for more distributors, particularly those now in mechanical power transmission, to transfer their expertise to fluid power as an adjunct to their current specialty. Reason: ultra-smooth motion at precisely controlled speeds and distances is a must in automation, particularly in robotics.

Watch also for distributors to inventory products previously considered either an unusually exotic specialty or once the exclusive bailiwick of the electronic distributor. Now being given off-the-shelf status are such items as programmable controllers, digital devices, ultra-precise electrical switching units, electronic machine modules, new and more sensitive sensors and feedback mechanisms, etc.

With manufacturers across industry aiming at becoming the well-publicized "lower cost, higher output producer," most modernization or expansion plans as of today will include some form of labor-saving, zero-reject, higher-speed automatic equipment. As a result, demands for the many off-the-shelf items that will sustain such operations will fall into the laps of distributors once the systems are in operation.

Safety equipment market changing

Consider the impact robotics alone is having on the types of safety supplies generally sold by distributors. Welding and painting robots don't need safety glasses, can dip items into hot or corrosive chemicals without gloves, can operate in high-decibel noise areas without earplugs, can tolerate highly polluted atmospheres without masks. And OSHA is slicing even further into the safety equipment catalog by relaxing some of its 78,000 or so original requirements. But while some kinds of safety equipment are generating less and less revenue for the distributor, other markets are taking up the slack.

Environmental protection is one of those. To be sure, EP will require gloves, masks and most of the conventional safety products sold by distributors but most will be augmented by more sophisticated devices, among them air monitoring units that will help avoid accidents before they can occur, special uniforms, devices for newer and more efficient waste treatment systems, and more products that in many cases are still to be invented to handle the increasingly tough standards being imposed by government on treatment, disposal and reclamation of waste.

> '. . . builders and developers have considerable confidence that the economic recovery will continue.'

The Environmental Protection Agency is expected to have a substantial budget to work with in cleaning up hazardous waste sites in 1985, and most probably for the rest of the decade. Service-type companies which supply manpower to do the jobs, are expected to do very well in gaining new contracts. According to the EPA, state governments are authorized to request funds from the agency for specific waste management projects. When the funds are approved, the state hires the companies it wants to handle the jobs. The EPA then monitors these companies as to costs, progress, etc. As of October 1984, since the beginning of the year, 528 contracts were awarded nationwide worth a total of $142 million. For a list of these companies, distributors should contact the office in their state responsible for issuing contracts. A further check with specific companies will reveal the many sophisticated types of safety equipment required. Almost all of these products can easily be stocked and sold by local distributors.

Construction market shaky

Since 1979, the commercial market has been experiencing an unparalled boom. Current projections indicate that building will continue at least into the first half of '85 despite the fact that the supply of space has already outstripped demand. In addition to offices, the building of hotels and motels have also outstripped demand and in some areas of the country, vacancy rates have prompted drops in room rates. With residential construction spotty and erratic, the construction industry could be in for a rough 1985, especially in the second half. Additionally, a provision in the new tax law, if it gets through committee and is approved by Congress, would eliminate deductions on mortgage interest for second homes, discouraging potential buyers and further reducing demand.

Nevertheless, builders and developers have considerable confidence that the economic recovery will continue. The availability of money plus modest increases in construction costs are apparently enough to prompt builders to begin their projects before conditions change.

Another positive factor is industrial construction. Having deferred new construction because of the poor economy and high interest rates, many manufacturing companies with outmoded facilities have been patiently waiting to jump in. With rates now falling, builders are expecting this area of construction to heat up soon, unless, of course, there is a marked downturn in the economy.

One area of distribution that hopes builders are right are pipe, valve and fitting (pvf) distributors. They have seen the entire industry hurt the past several years by intense price cutting. With many if not most American manufacturers buying product from other countries, especially Japan, distributors would like to see a period of stability in pricing and progressive growth in what has been disappointing demand.

If the industrial construction market heats up as some analysts are predicting, hardware such as blind rivets, drill bits and specialty fasteners will see another strong increase in demand on top of a healthy 1984. Other product areas benefitting should include air tools, hydraulic tools, lifting equipment, pipe tools and portable electric tools.

Oil drilling and product demand

Anticipation that the expansion of business in the U.S. would spur the use of oil, keep prices high and increase the demand for products in the domestic oil drilling industry has now faded. New oil strikes motivated by the Arab oil embargoes of the 70s have matured and come on line for several non-OPEC countries, reaching the point where the OPEC monopoly, if not broken, has certainly cracked. With abundant supplies plus the incorporation of alternate energy sources, falling prices have discouraged domestic drillers and lessened demand for associated products. If oil prices continue to fall in '85, petrochemical products such as nylon, rayon, etc. will begin to follow suit causing ripple affects in their respective industries.

In the rubber area, hose and belt remain depressed in oil-producing states. It is not likely to see a meaningful increase in business here in 1985. The resurgence of the domestic auto industry has somewhat softened the decline, although rubber specialists in oil-producing states may disagree with this assessment.

According to the Rubber Manufacturers' of America's Industrial Products Div., which compiled a statistical forecast from its approximately 80-member companies, the projection shows a higher than normal growth pattern for the first half of '84, an easing in the second half of '84, and a five year period from 1984 to 1989 in which a 2% to 3% real growth pattern should reflect the normal historical growth trend for hose and belting.

Unlike pvf, domestic fabricators and sellers of rubber products have managed to keep control of the U.S. market, and distributors are faring rather well, especially in the MRO area of the business.

Specialty tools and heavy duty pvf are also dependent on the oil drilling market and distributors here are most likely to play a holding game in 1985.

Industrial parks to increase

Industrial parks, also called *science parks* and *high tech parks* are being planned in record numbers according to a study made by Batelle's Columbus Div., Columbus, OH. Titled *An Overview of Trends in Science and High Technology Parks*, the study cites the present Administration as favoring and abetting this planned growth as a means of enhancing overall economic activity in the country. The newer parks are designed around campus-like sites, and often combine office space rental with research and development enterprises and light manufacturing companies. They will also provide more services for tenants including restaurants, conference centers, and ties to universities in the area. It is hoped that all of this concentrated activity will draw support services on its periphery such as motels, fast food restaurants, banks, exercise facilities, general merchandise stores, etc. Because the accent will be on high tech research and light manufacturing, the industrial distributor can find these parks rewarding, both in start up supplies as well as MRO supplies. Unlike the concentration of parks in the past in such areas as Silicon Valley in California or Route 128 around Boston, the diversity of businesses inside these new parks should spread the demographics across many areas of the country. Many suburban and rural areas are beginning a heated competition to attract these new business enterprises.

Another type of industrial park (differentiated from the above, which discourages warehousing-type businesses) is designed specifically for production, service and distribution. These are not suited for high tech activity, but because of their design are expected to be well suited for industrial distribution branches or major headquarters.

Consultants bullish on' 85

While reluctant to forecast economic conditions too far into 1985, consultants unanimously felt that for at least the first half of the year, business conditions in the distribution industry would remain healthy.

'. . . some high tech products such as automated delivery systems . . . are expected to enter the marketplace.'

"Unless we fall off a cliff economically," states Peat Marwick's Dan Cooper, a New York-based distributor consultant, "I don't think we'll see any major difference from what most businesses in the field expect, that is, a more steady pattern of growth. For example, I don't think you'll see an industrial distributor going from $2 million-$5 million in revenues, but I don't think he's going to see a break on the downside in his operation either. It just doesn't look like a disruptive year either up or down."

Walter F. Friedman, president, Walter Frederick Friedman & Co., Inc., West Orange, NJ, a physical distribution specialist, states that in terms of the continuing health of the economy, "we're experiencing no negatives here at all." Friedman is alluding to the first quarter of '85 in which his backlog for designing new and expanded facilities is strong. "Distributors, just like manufacturers," says Friedman, "want to buy new equipment and make use of the latest technology to improve production and reduce costs."

Agreeing with this assessment is Herbert W. Davis, president, Herbert W. Davis & Co., Englewood Cliffs, NJ, who adds: "The consulting business for distribution is very strong which means that there is action taking place in the field for the design and improvement of new or expanded plants that should carry through to at least the first half of 1985."

Both consultants see plant expansion both in and out of distribution as contributing to a demand for all types of material handling products in 1985, with the addition of programmable controllers and other devices aimed at streamlining operations. In addition to fork lifts, bins, racks, and other types of shelving, some high tech products such as automated delivery systems, and computer-controlled pick and store systems are expected to be introduced.

Hand tools and imports

Perhaps no area of manufacturing has been hurt more in 1984 than hand tools. Cheap as well as quality hand tools from abroad have flooded the U.S. market and forced distributors to stock more off brand hand tools than ever before. The total market for non-power workshop tools such as hammers, saws, screwdrivers, wrenches, etc. is estimated at $1.2 billion, with the professional tool market for contractors and auto mechanics at approximately $1 billion. Although 1984 figures are expected to show a strong growth in the sale of hand tools, a substantial part of the sales in this market are expected to have gone to importers.

Some of the large American manufacturers are expected to do well in 1985, while the smaller companies are expected to lose market share. Where does the industrial distributor stand on this? Unfortunately, they do not have much choice. As the gap widened between domestic and foreign manufactured hand tools in '84, the end user made less and less distinction as to quality or brand. Price became the dominant factor.

The Conference Board's Statistics for '85

The following statistics were gleaned last October from The Conference Board's panel of 41 leading U.S. financial executives surveyed twice a year.

- The U.S. economy will avoid serious inflation and remain recession-free in 1985, registering real growth of 3.5% in '85 and 2.7% in '86.
- The rate of inflation will rise moderately to 4.8% in '85 and 5.3% in '86.
- The prime rate and the rate for triple-A corporate bonds will average 13.1% in 1985. Modest declines in short and long term rates are anticipated in '86.
- The stock market will rise modestly to 1238 on the Dow-Jones average in '85, and to 1273 in '86. The low will not be less than 1000.
- The U.S. dollar will weaken in relation to other major currencies by next spring. The British pound, German mark and Japanese yen will strengthen against the dollar by next March.

Only if the dollar significantly weakens abroad, and imports become more costly to the American user, will domestic manufacturing recover. However, it is doubtful that it will ever regain the market share this industry once enjoyed.

Innovative products can beat imports

As few industries are untouched by the stream of low cost imports, and some industries appear devastated by it, innovation in American made products are beginning to loom as America's most important edge over foreign competition. In the cutting tool industry, for example, where the projections are for little growth in 1985 except for the armament and aircraft industries, more efficient machinery and exotic saw blades that cut new alloys at higher production rates are product improvements that lead foreign competition. Distributors that stock quality products for industries where cutting tools must be first rate, are expressing optimism with what is coming from American manufacturers. However, good products cannot overcome some very weak industries for cutting tools, as in the farm area of the country, where plant closings and consolidations continue.

> 'Distributors would be well served to query their suppliers and find out what's on the new products drawing board.'

Factory automation is another area where innovations in material handling equipment to move material as fast and efficiently as possible, is lifting industry business projections, according to a recent report by Frost & Sullivan, a New York-based market research firm. The total consumption of material handling equipment and systems will grow from \$2.8 billion in 1983 to approximately \$5.8 billion by 1988 (both in current dollars), according to the report. Keys to the improvement, it states, are modern equipment combined with computer control systems.

Distributors would be well served to query their American suppliers to find out what's on the new product drawing board, how it will improve and be a state-of-the-art advantage over what's currently on the market, and when it will be available. Having advanced product knowledge and education are not only beneficial to the continued good health of your operation, but also that of American manufacturers. ☐

Under the microscope

The past year has heralded some new ideas or methods of doing business for the industrial distributor, all aimed at better productivity and higher profits. However, it doesn't always work out that way. Conditions change, ideas are modified, and sometimes because the industry isn't ready, they're just dropped. Here is an examination of four of the most often mentioned "hot" ideas for industrial distributors to latch on to in 1985.

- **Bar coding**. Paperback books, canned goods and a host of other products in many industries are now using bar coding effectively. Its value as an inventory tool, in overall record keeping, is indisputable. But is it for the industrial distributor? The answer is yes *only* if a meaningful number of suppliers unite to standardize the type of code used and take appropriate action. This has not been the case, even though distributor associations have been doing their part in trying to bring the parties together. Although some progress will be made in '85 toward this end, it is doubful that bar coding will be useful or practical to utilize at this stage of its development.

- **Telemarketing**. This seems to have come into its own in 1984, or has it? There have been more seminars, more specialists, more companies offering their services in this field than ever before. Yet there may be good reason not to jump on the bandwagon. The main reason to go to telemarketing is to cut down on the cost of sales calls, delegate smaller accounts or potential new accounts to machines or inside people, and have your outside sales force make the important calls. However, several changes have occurred that lessen and may possibly eliminate these advantages. The cost of gasoline has been falling slowly but steadily throughout 1984, and it appears will continue to fall into the first half of 1985. Overbuilding of hotels and motels are beginning to have an affect on rates. In addition to declining rates, deals are coming into vogue which could reduce the cost of stays for steady travellers significantly. And finally telephone rates are climbing all over the country since the breakup of AT&T, and increases are expected to continue for the next two years. Weighing the changing economics, a good old fashioned sales call may be the best way to sell after all.

- **Just-in-time inventory**. Called J.I.T. or *zero-based inventory*, most distributors know by now what this means. Specifically, it means getting to the user or assembler or manufacturer the parts needed for assembly at just the right time. In so doing, there is little need for the assembler to stock inventory. The whole system is supposed to back up to the point where everything moves in an effective, streamlined unison. Less carrying costs, less waste, finely tuned productivity. The question is where does the industrial distributor fit into the picture? Must his inventory be pared back accordingly? Must his delivery be just-in-time too? No one is really sure. One thing is sure. Manufacturers are beginning to go to J.I.T. This means that changes, new ways of operating, will have to be made. By having good inventory, distributors may end up being excellent sources of supply when shipments from manufacturers to OEM's go awry, are underestimated, etc. It seems implausible for distributors to deplete their inventories to accommodate a just-in-time market. It's just too precarious. Whatever the changes, 1985 looms as a good bet to be the year when everyone finds out.

- **High Tech**. High technology is a euphemism for the most advanced products available today. The confusion is in the product. An electric toothbrush might have a microchip inside controlling its rate of vibration and its type of motion. Is the toothbrush a high tech product? Generally speaking, yes. Any product that makes use of the latest technology in its operation has come to be called a high tech product. Extending this reasoning, tools that assist the end user in putting together the high tech product are now called high tech tools. They could be special pliers, magnifiers, drills, etching equipment, etc. The Electronics Industry Assn. as well as a host of sophisticated electronic component manufacturers would love to see industrial distributors begin carryng more than these tools and related equipment. They believe that because the distributor has established customers in industrial markets, he has a natural entré to plants that the electronic distributor doesn't even know about, much less ventures into. He can therefore introduce and stock a full line of electronic components the end user can utilize to further sophisticate his products. Even though technical support is promised by these electronic companies for the industrial distributor, there have been few takers. The "high tech" slogan may fade,or be replaced by something else, but the upgrading of products to reflect the latest technology will be with us for a long time.

ID's QUARTERLY INFLATION INDEX

For the second quarter in a row the *Silver/ID Inflation Index* rose at an annual rate of just barely over 1.0. For the last 12 months (October '84 vs. October '83) the rise in prices for our index was only 2%. For all of 1983 the rise was this same 2% and with only two months left to complete our index for 1984 we can say with confidence that the annual inflation rate for all of 1984 will also be about 2%. The first quarter of 1984 had started with a rise at an annual rate of 4.4%, but it now appears that this must have been because vendors shot their bolt at the beginning of the year.

Table 2 is confined to the 33 product lines of the *Silver/ID Inflation Index*, plus the composite inflation rate of the *NIDA/SIDA Index*. Table 1 shows the inflation rate of a number of other durable goods wholesaler inflation indexes. Note that the NIDA/SIDA composite index of 10 product lines shows a current inflation rate about 1% higher than ours. But for the last year these two indexes showed an almost identical inflation rate, and over the long run they are remarkably similar in their trends.

Of the 33 product lines in our index, 22 rose (however slightly), six fell, and five were unchanged from the prior quarter.

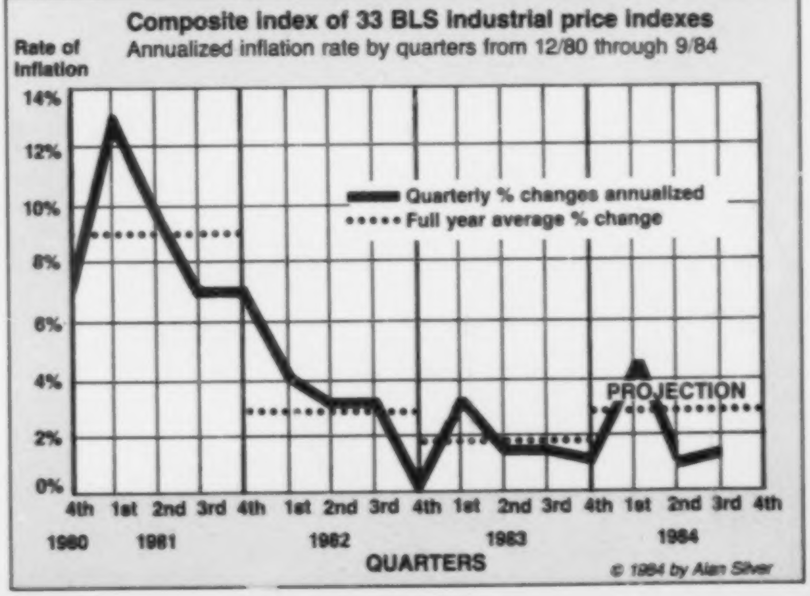
Compiled by Alan Silver Associates, Inc., Highland Park, NJ

Alan Silver is a regular contributor to ***ID***. For a list of his published articles, write Alan Silver & Associates, 168 Woodbridge Ave., Highland Park, N.J. 08904 (201 572-2300).

Table 1—Comparing inflation indexes

	*BLS inflation rates (%)			
	Current qtr 9/84 vs 6/84 annualized	Year-to-date 9/84 vs 12/83 annualized	9/84 vs 9/83	12/83 vs 12/82
Silver/*ID* index of 33 industrial product groups	1.28%	2.20%	1.97%	1.96%
NIDA/SIDA index of 10 industrial product groups	2.16%	3.08%	3.31%	1.67%
**PPI index of industrial commodities	−1.84%	2.13%	1.61%	1.08%
Avg. of above indexes	0.53%	2.47%	2.30%	1.55%
**PPI index of finished goods (indl/agric)	−1.48%	1.25%	1.65%	0.70%
Silver/Wholesaler index of 13 lines (plmgb/htng)	1.28%	4.08%	3.68%	3.95%
Electrical Marketing index of 24 product groups	−2.24%	3.80%	2.87%	4.05%
***NAED inflation index: 16 product groups	4.04%	4.82%	4.38%	6.60%
Consumer Price Index	4.88%	4.83%	4.21%	3.80%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.



Composite index of 33 BLS industrial price indexes
Annualized inflation rate by quarters from 12/80 through 9/84

ID's QUARTERLY INFLATION INDEX

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1 Product category	Col. 2 Current qtr 9/84	Col. 3 Previous qtr 6/84	Col. 4 % inflation	Col. 5 Current qtr. annualized %	Col. 6 Year-to-date 9/84 vs 12/83 %	Col. 7 Year-to-date 9/84 vs 12/83 annualized %	Col. 8 Last 12 months	Col. 9 4th qtr 83	Col. 10 4th qtr 82	Col. 11 Annual inflation 83 %
**Industrial oil	372.7	372.7	0.00	0.00	0.27	1.33	1.08	371.7	372.9	−0.3
Prepared paint	277.4	270.8	2.44	9.72	4.71	6.28	4.88	264.9	265.1	−0.1
Rubber belts & belting	347.3	352.3	−1.42	−5.68	−3.95	−5.27	5.40	334.1	328.1	1.8
Other misc. rubber products	304.5	295.9	2.90	11.60	2.11	2.81	−0.23	298.2	294.3	1.3
Plastic construction products	169.0	173.0	−2.31	−9.24	−0.71	−0.95	−0.53	170.2	153.1	11.2
Semi-finished steel products	374.1	371.6	0.67	2.68	1.11	1.48	0.81	370.0	368.7	0.4
Wire & cable	201.0	203.4	−1.18	−4.72	−0.25	−0.33	−1.37	201.5	198.1	1.7
****Electric wire & cable	103.3	103.6	−0.29	−1.16	−0.10	−0.13	0.10	103.2	100.0	3.2
****Building wire & cable	96.1	101.7	−5.50	−22.00	−8.39	−11.18	−10.95	104.9	100.0	4.9
Builders hardware	299.3	296.8	0.84	3.36	2.96	3.95	3.56	290.7	272.6	6.6
*Hand tools	359.7	357.0	0.75	3.00	2.48	3.31	4.14	351.0	342.1	2.6
*Misc. metal products	295.6	294.5	0.37	1.48	2.18	2.91	2.75	289.3	288.7	0.2
***Industrial safety eq.	136.5	134.2	1.71	6.84	2.25	3.00	1.64	133.5	130.6	2.2
*Bolts, nuts, screws & rivets (fasteners)	276.8	282.2	−1.91	−7.64	−1.88	−2.51	3.83	271.7	270.0	0.6
*Power-drive hand tools	225.1	221.0	1.85	7.40	1.90	2.53	2.13	220.9	221.6	−0.4
Welding machines & eq.	283.0	281.2	0.64	2.56	3.59	4.79	3.66	273.2	273.1	0.04
*Cutting tools & accessories	280.1	277.9	0.79	3.16	1.56	2.08	1.74	275.8	272.1	1.4
Precision measuring tools	253.3	253.3	0.00	0.00	3.64	4.85	3.18	244.4	241.5	1.2
*Abrasive products	310.4	310.4	0.00	0.00	1.70	2.23	2.21	305.2	298.4	2.3
Metal cutting machine tools	386.8	383.3	0.91	3.64	1.98	2.64	2.46	379.3	372.7	1.8
Metal forming machine tools	425.7	424.1	0.37	1.48	0.73	0.97	2.45	422.6	411.8	2.6
Pumps, compressors & eq.	349.6	349.4	0.05	0.20	0.95	1.27	1.10	346.3	348.2	−0.5
Fluid power eq.	260.9	258.7	0.85	3.40	2.60	3.47	2.80	254.3	248.9	2.2
*Industrial material handling eq.	290.6	288.7	0.66	2.64	1.43	1.91	1.86	286.5	286.9	−0.1
*Mechanical power transmission eq.	330.2	323.8	1.98	7.92	3.06	4.08	4.63	320.4	312.0	2.7
*Metal valves, (except fluid power)	102.8	102.0	0.78	3.12	2.70	3.60	3.32	100.1	100.0	0.1
*Metal pipe fittings	107.7	105.6	1.10	4.40	4.26	5.68	6.85	103.3	100.0	3.3
Ball & roller bearings	344.1	337.9	1.83	7.32	3.27	4.36	3.58	333.2	335.3	−0.6
Plain bearings	264.4	264.4	0.00	0.00	1.70	2.23	0.34	260.0	257.0	1.2
Wiring devices	357.0	356.5	0.14	0.56	4.42	5.89	6.06	341.9	327.8	4.3
Electrical instruments	202.7	201.6	0.55	2.20	−0.45	0.60	−0.45	223.7	261.9	4.9
*****Electric motors	104.1	104.1	0.00	0.00	3.69	4.92	−0.98	100.4	298.8	5.2
*****Generators & generator sets	102.4	101.7	0.69	2.76	1.69	2.25	−1.00	100.7	331.1	−8.0
*NIDA/SIDA composite	306.0	304.3	0.56	2.24	2.31	3.08	−0.34	289.1	294.2	1.7
Silver/ID composite	295.6	294.7	0.32	1.28	1.46	2.00	1.79	290.8	285.2	2.0

*Included in NIDA/SIDA composite

** 12/73=100 *** 6/78=100 **** 12/82=100 ***** 6/83=100

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Industrial Distribution

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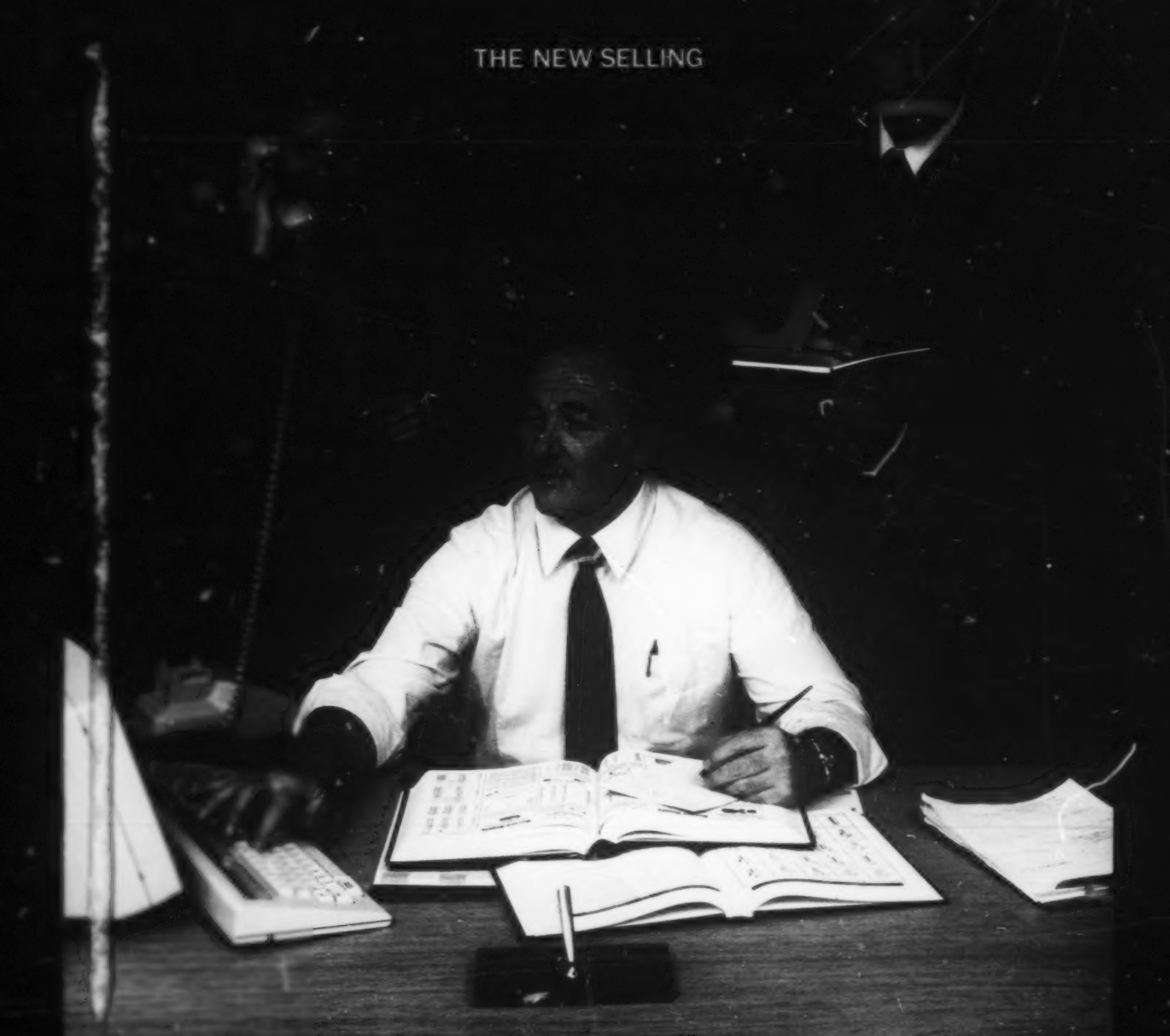
February 1985

Hotline: Mergers and acquisitions seen spawning new distributor chains

THE NEW SELLING



ID Industrial Distribution

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Rapid advances in communications and marketing are changing the face of distributor sales. The new professionals are forging the sales team into a winning combination.

Cover photo: Rick Barrick

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INDUSTRY NEWS...

Indicators . . .

The NIDA/SIDA *Industrial Distribution Index* for November '84 declined just .3 from the October figure to 136.2. All of the marginal drop took place in the Midwest which suffered a 4.1 loss. The big winner in the month was the West which advanced by 4.6. This was the third monthly retreat in a row for this Index . . . The SIDA *Monthly Sales Trend Report* advanced a healthy 13.59 in October '84 vs September. Gains ranged from a low of 8.33 in SIDA Area 4 comprising AR, LA, OK and TX to a high of 25.41 in Area 2 which includes FL, GA, SC and Puerto Rico. October '84 was 19.33 ahead of October '83 . . . ASMMA's *New Order Index* dropped in October '84 to 118.5, a 2.5 point decline from September's 121.0 for a loss of 2.1%. The *Index* is back to a level last seen in November '81 and substantially higher than any figures registered in '82 and '83. . . The American Machine Tool Distributors' Assn. *Distributor New Order Index* rose sharply in October '84 posting its highest level since December '81 closing at 79.1, a 20.8% increase over September and 43.3% ahead of October '83. . . The Power Transmission Distributors Assn's. new *Monthly Sales Trend Report* for October '84 rose 20.1 points over September to 169.0, the highest point since the PTDA started reporting data in January '83 and 35.7 points higher than October '83. All indices in the PTDA *Report* are derived from an average month in 1977 which has been assigned a value of 100.0. . . . The Associated Equipment Distributors' *Market Trends Index* of construction equipment gross sales show 31% increase in October '84 vs. October '83 although gross sales dropped by 1% in October from the previous month . . The National Welding Supply Assn. reports that its *Welding Supply Index* dropped nearly 20 points in November to 176.7, continuing its see-saw pattern. Despite this latest decline, the Index figure is still at its highest level since 1979 with the exception of four months in 1984 . . . According to the Copper & Brass Servicenter Assn.' *Flash Report* shipments of free cutting brass rod declined rather severely in November '84 to 111.2, a drop of 32.7 points from October.

[continued from page 15]

policy of "enhancing domestic operations by adding facilities and capabilities in the United States and establishing Morse International to import tools that will meet Morse standards," recently announced by James Lambert, Morse chairman and CEO. ☐

NIDA alerts members to impact of new business car law

PHILADELPHIA—A little-known law which, in the words of NIDA, "dramatically impacts the acquisition and use of business cars by most individuals in the United States," has been clarified by the organization.

In a memo to its members, NIDA outlines the major provisions of the new law which applies to vehicles placed into service after June 18, 1984. It affects the investment tax credit as well as depreciation and expense deduction of operating passenger automobiles for business purposes.

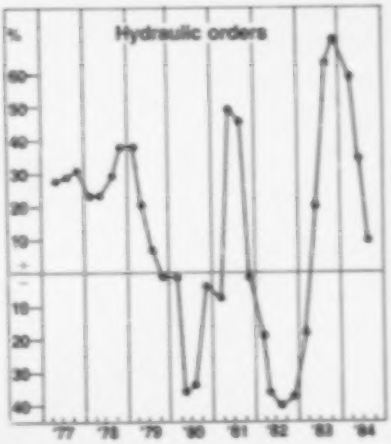
According to an analysis prepared by tax consultant Bart Basi, the six prime components of the new law are:

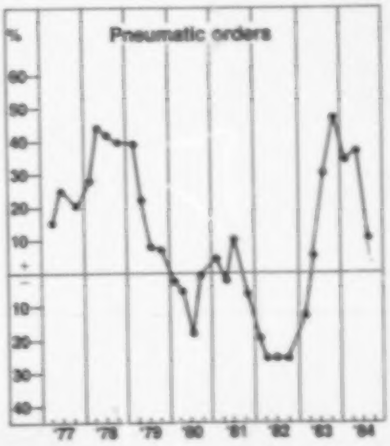
- The maximum available investment tax credit per car is $1,000.
- The maximum allowable depreciation per car is $4,000 for the first year of use and $6,000 for each subsequent year.
- Personal use of the car reduces the investment tax credit and depreciation.
- If the car is not used for at least 50% business, the investment tax credit is lost and the actual cost must be depreciated over five years on a straight line basis.
- The investment tax credit and depreciation can be taken only if the car is required for the convenience of the employer and is a condition of employment.
- For leased vehicles, the 50% test will be

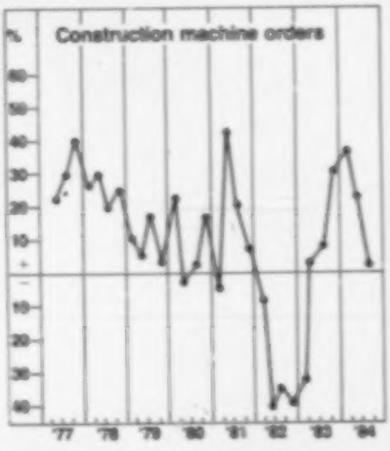
NFPA says slower but steadier growth seen for rest of 1985

MILWAUKEE, WI—The National Fluid Power Assn. reported that seasonally adjusted orders for fluid power products in the third quarter of 1984 showed little change from the quarter that preceded it.

The NFPA says that distributors should expect slower but steadier growth in 1985 as a result of multiple factors. These include: companies completing the building of inventory begun in 1984, a flattening of interest rates and a drop in the sales of industries using fluid power products. The expansion period of economic "catch-up" is over, says the report.







Shown is order activity since 1977 in key fluid power markets. Data is plotted quarter-by-quarter. Quarters above the center-line are higher than the same quarter in the previous year. Quarters below the center-line are lower. The scale on left shows the degree of fluctuation.

REGIONAL REPORT

Sales gains ease in November

A surprisingly strong sales gain in October was pared in November. Sales fell nationally from October's 25% to 15%.

Two regions, New England and West North Central, turned negative dropping 1% and 5% respectively from last year's figures.

Holding up well in regional reporting are Pacific, up 27%, East North Central, 18%, South Atlantic, 15%, and Middle Atlantic, 10%. The strongest areas are Oregon-Washington, up 27%, Georgia-Florida, 25%, and Upstate New York, 20%.

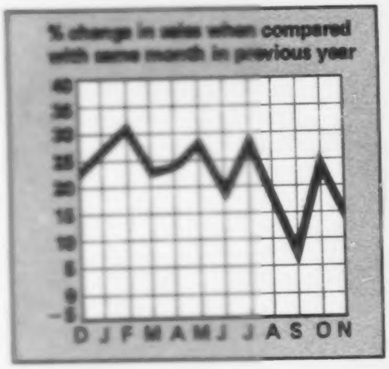
Figures for the first 11 months of '84 compared to '83 continue to be favorable with a 21% gain nationally. This is the same as October's figure. No negatives were recorded from the regions or areas in this category.

In month-to-month figures, a softening trend is evident with all the regions and areas reporting negative figures except Pacific, up 1%, and Oregon-Washington, 2%. Negative figures for monthly comparisons showed up earlier in the year during a soft period only to be completely reversed the following month. However, continuing monthly drops over a period of at least 3 months, confirmed by dropping national sales figures, would indicate a major break in sales. This has not happened since the recovery began (see graph), with two months (August and September) indicating the weakest period of 1984.

Receivables remain unchanged for both general liners and specialists. □

RECEIVABLES*	Nov. '84		vs	Nov. '83	
	Gen.	Spec.		Gen.	Spec.
New England	48	46		39	54
Middle Atlantic	43	44		45	45
South Atlantic	37	37		36	36
East North Central	39	42		39	41
East South Central	36	—		37	—
West North Central	—	42		—	40
West South Central	—	46		—	46
Mountain	—	—		—	—
Pacific	40	41		42	40
National	40	43		40	43

*Average days outstanding



November sales in retreat . . .

SALES BY REGIONS (% change)	Nov. '84 vs. Oct '84			Nov. '84 vs Nov. '83			1st 11 mos. '84 vs 1st 11 mos. '83		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−14	−11	−13	−8	+20	−1	+16	+22	+17
Connecticut	−18	—	—	−25	—	—	+19	—	—
Massachusetts	−5	—	—	+18	—	—	+15	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−18	−8	−12	+19	+4	+10	+20	+18	+19
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	−19	+5	−9	+32	+18	+20	+29	+23	+26
Pennsylvania	−7	−12	−10	+19	+11	+14	+14	+24	+19
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC	−16	−12	−15	+15	+15	+15	+28	+15	+22
SC, VA, WV									
Georgia-Florida	−17	−14	−15	+41	+15	+25	+42	+19	+28
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−9	−5	−6	+13	+20	+18	+20	+22	+22
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−18	−2	−5	+7	+17	+15	+14	+11	+12
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−3	—	—	+28	—	—	+24	—	—
Ohio	−7	−8	−7	+14	+17	+16	+23	+21	+22
EAST SOUTH CENTRAL: AL, MS, KY, TN	−3	—	—	+13	—	—	+33	—	—
WEST NORTH CENTRAL: MN, ND, SC, IA, NE, KS, MO	−11	−34	−28	+2	−8	−5	−2	+15	+10
WEST SOUTH CENTRAL: AK, LA, OK, TX	—	−23	—	—	−8	—	—	+12	—
Texas	—	−23	—	—	−8	—	—	+12	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	−3	+10	+1	+27	+26	+27	+23	+20	+22
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−11	+20	+2	+22	+33	+27	+24	+10	+17
U.S. TOTALS	−10	−8	−9	+17	+13	+15	+23	+19	+21

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Industrial Distribution

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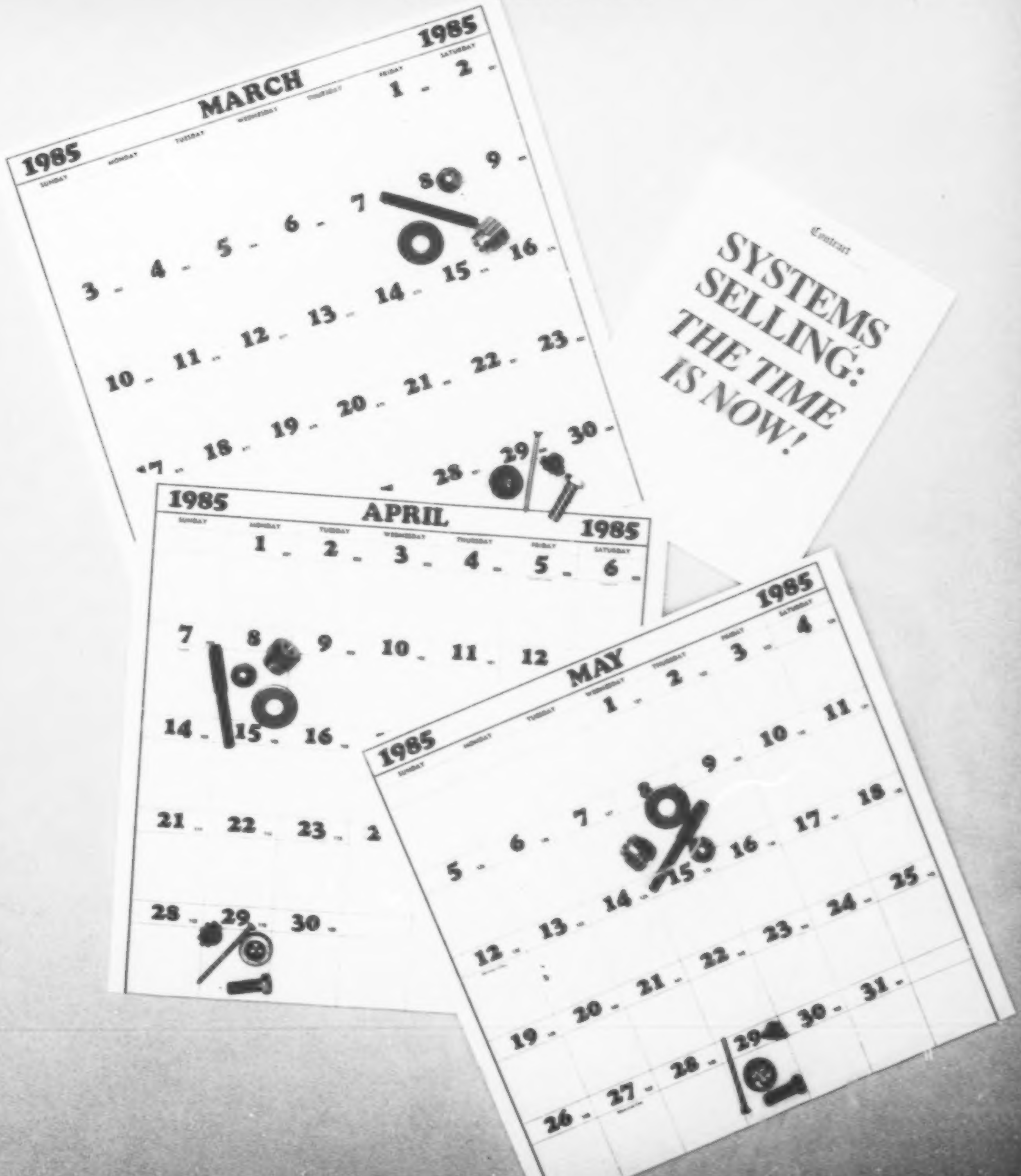
March 1985

Hotline:
Problems for distributors seen in new Federal budget


1985 MARCH 1985
1985 APRIL 1985
1985 MAY 1985
Contract
SYSTEMS SELLING: THE TIME IS NOW!

Industrial Distribution

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Industrial Distribution (USPS-889-860) is published monthly by Technical Publishing, a Division of Dun-Donnelley Publishing Corporation, a Company of the Dun & Bradstreet Corporation. John K. Abely, President. EXECUTIVE, EDITORIAL AND ADVERTISING OFFICES, 875 Third Ave., New York, NY 10022. (212) 605-9400. Second class postage paid at Barrington, IL 60010 and additional mailing office.

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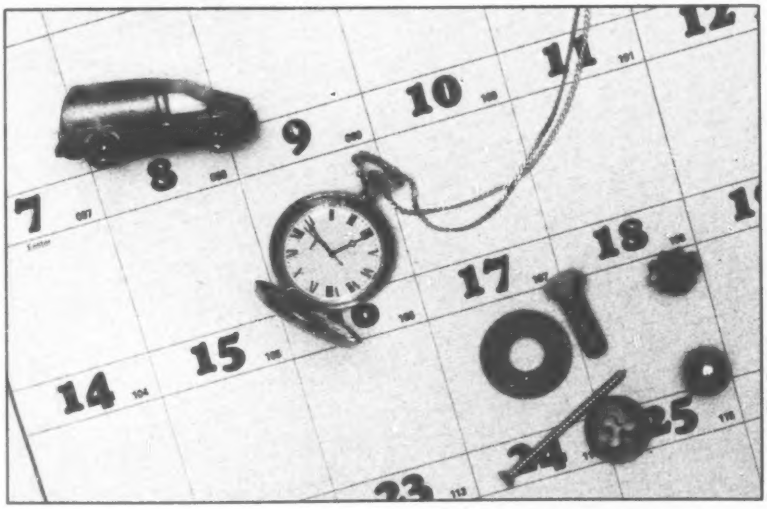
SYSTEMS SELLING: *THE TIME IS NOW!*



Cover photo: Rick Barrick

Industrial purchasing is becoming so formal and demanding that alert distributors are promoting sales by contractual agreement.

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Solving hose problems profitable for manufacturer and distributor; Important information from scale can be automatically printed; Supplier promotion kicks off spring; Sales training sessions for STAFDA members; Don't rush into high-tech, electronic office communications.

INDUSTRY NEWS

Uniform product liability laws urged by joint liability task force

WASHINGTON—The Bhopal, India tragedy focussed the attention of the world on what was mistakenly described by some sources as a case of product liability, says a joint task force comprising the *Coalition for Uniform Product Liability Law* (CUPLL) and *The Product Liability Alliance* (TPLA).

According to the group, what occurred in Bhopal was an industrial accident that had nothing to do with product liability. "The only similarity between Bhopal and product liability law is the conduct of the trial lawyers who raced to the scene for an opportunity to sue," noted the organizations.

The chairman of the group's Government Relations Committee, Patrick Rowland, who serves as director of government affairs for Borg Warner Corp., points out that "most states right now allow distributors to be sued under the state's product liability laws, even if they haven't touched the product.

"Under the proposed law, S-100, the distributor would be excused providing the manufacturer had U.S. assets and this would be a big departure from current law."

Rowland notes that, at present, only 32 states have laws governing product liability and that no two are the same. He also points out that product liability lawsuits have increased more than 700% over the past decade.

Another area of confusion resulting from such a crazy-quilt of differing state laws, says the organization, is that the state law governing product injury cases vary so widely there is no way to predict whether or not a product complies with any one or all of the state laws.

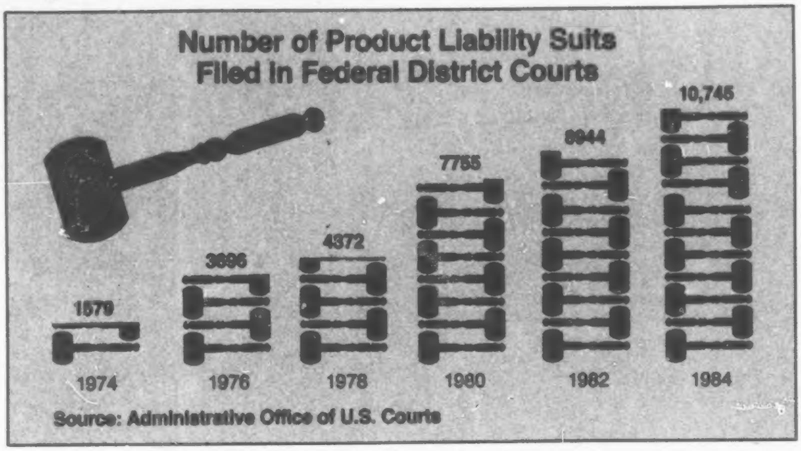
The organization illustrates the discrepancies in individual laws by reporting that New York law requires a worker claiming an asbestos-related injury to file suit in a relatively short period of time after exposure even though the disease has not manifested itself yet while in California, claimants can file suit up to a year after they discover the injury and its cause regardless of when exposure originally took place.

The CUPLL/TPLA task force also contends that the complainants in such suits are not benefitting fully from favorable judgements, noting that a study of injured asbestos workers discovered that only 37 cents of every dollar spent on litigation went to the injured party with the remainder going to the trial lawyers.

The joint committee also points out that expensive settlements in product liability cases have artificially inflated prices for all products. Fully 20% of the cost of a step ladder, for example, goes toward payment of product liability insurance.

Last year, House and Senate bills establishing fair and uniform standards for product liability came close to passage. This year the Senate sponsor, Robert Kasten of Wisconsin, has reintroduced a bill and a similar house version is expected soon.

"It's high time," says the CUPLL/TPLA task force, "that Congress deals with this patchwork area of the law and makes some sense out of a system that's done nothing but serve one special interest group far too long." □

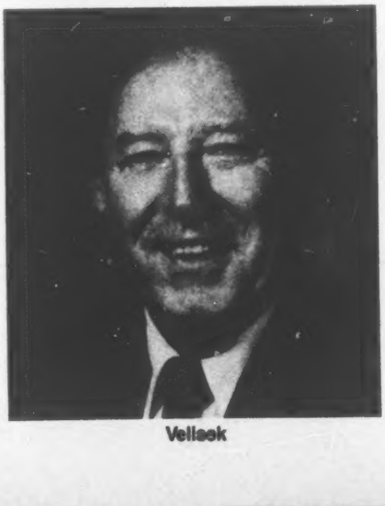


Source: Administrative Office of U.S. Courts

National Hand Tool makes Norman Velisek head of new division

DALLAS—National Hand Tool Corp. has named Norman Velisek vice president and general manager of its new Blackhawk Hand Tool Division which the company acquired from Litton Industries last year.

Velisek served as vice president-marketing for Dresser Industries Tool Group from 1963 to 1980 and, prior to his recent appointment, held the same position with Owatonna Tool.



Velisek

Velisek emphasized his commitment to "making Blackhawk a leader in the hand tool industry" and said that one of the new division's goals was to increase sales of Blackhawk's product line through industrial distributors to 30% of total sales.

Since the acquisition, Blackhawk has moved its administrative staff to Dallas with tool manufacturing now being performed in Dallas and in Blackhawk's original Sanford, NC plant. □

Construction machinery makes comeback says new study of market

COMMACK, NY—The U.S. construction machinery industry experienced an increase in sales of 25.9% in 1984 rising to a total sales volume of $13.56 billion, according to a new study *The U.S. Construction Machinery and Equipment Industry.*

Published by Business Trend Analysts, Inc., the report notes that the strong sales growth follows in the wake of the worst slump the industry has experienced in the post-war period. In 1982 alone, the study points out, sales of construction machinery and equipment fell 30.6%

Among the other findings of the study:

- Sales of tractor shovel loaders by do-

[continued on page 12]

INDUSTRY NEWS...

[continued from page 12]

compete in that marketplace.

"Now we've taken the accessories to a new level where we can give them attention.

Schmidt

What it means to the distributor is that we'll be offering better products at better prices with more merchandising support than in the past," he noted. □

William E. Blum retires from Armstrong-Blum

CHICAGO—William E. Blum, president of Armstrong-Blum Manufacturing Co. since 1975 has retired after serving the firm for 43 years.

The Board of Directors of the metal cutting sawing machine and blade manufacturer named Donald L. Armstrong, grandson of one of the founders, to the presidency.

Armstrong joined the firm in 1958 becoming assistant treasurer and director of services in 1960, treasurer in 1965 and executive vice president in 1975, his most recent position.

The board also announced the appointment of Stanley A. Wolben, to the post of executive vice president while he continues to serve as treasurer. □

HTI's McGlynn retires as executive director, Byrne named to post

TARRYTOWN, NY—Edward T. McGlynn, executive director of the Hand Tools Institute (HTI) will retire on May 1, 1985.

McGlynn joined HTI in 1979 following his retirement from True Temper Corporation after 25 years of service where he served as vice president and general manager of the Hardware Division. He is past president of the American Hardware Manufacturers Assn. and the Eastern Hardware Assn. and is the recipient of the Award of Merit from the Middle Atlantic Hardware Assn.

At the same time, it was announced that Richard C. Byrne, currently HTI's manager of administrative services, will succeed McGlynn as executive director. Byrne is also president of Trade Association Management, an association management firm which serves as the administrative staff for HTI. □

McGlynn

Byrne

Kaman Bearing & Supply acquires Transmission Inc. in midwest

BLOOMFIELD, CT—Kaman Bearing and Supply Corp., the industrial distribution division of the Kaman Corp., has acquired Transmission Inc., a power transmission distributor located in Dayton and Cincinnati, OH.

The new acquisition will merge into Kaman's midwest region under the direction of Theodore N. Schall, vice president. Transmission Inc.'s former vice president of sales, Stanley Tripp, will manage daily operations.

Kaman Bearing and Supply operates its distribution business nationwide from 153 locations in 29 states and Canada. □

ISEA strategic plan charts new directions for 1985

ARLINGTON, VA—The Industrial Safety Equipment Assn., headquartered here, will be branching out in new directions in 1985, according to its president, Frank E. Wilcher, Jr.

"Following nearly a year of development, the five-year strategic plan was enthusiastically approved during ISEA's last meeting," noted Wilcher who added that "Ours is an industry in transition."

Among the changes cited by Wilcher are the reduced domestic market for safety

Indicators . . .

The three key indices sent a mixed message this month with two down and one up. The NIDA/SIDA *Industrial Distribution Index* dropped 12.9 points in December from the previous month registering 123.3 on a national basis. Regionally, losses were distributed evenly with all areas experiencing declines. The largest regional loss occurred in the Midwest with a drop of 14.5 while the smallest was felt in the South which fell 9.7, from 133.9 in November to 124.2 in December . . . The November SIDA *Monthly Sales Trend Report* saw a drop of 8.79 from October levels on a national basis although still 8.41 ahead of November '83 and 12.19 higher in year-to-date '84 compared with year-to-date '83. While all geographic areas showed a decline, Area 2 comprising FL, GA, SC, and Puerto Rico experienced the largest dip falling by 13.64 . . . ASMMA's *New Order Index* for the month of November rose by 4.7 for a 4% increase over October, reaching 123.2. With the exception of the August level of 129.1, this is the highest level in 37 months . . . the American Machine Tool Distributors' Assn. *New Orders Index* rose to its highest point since August '81 to 89.3 in November, up 12.9% from October. The November '83 figure was 75.5, 18.3% below its current level . . . According to the National Wholesale Hardware Assn. its *Hardware Sales Index* for November increased a nominal 3.6% from the previous month to 118.5 on a national basis. Six of the seven regions reported increases ranging from a low of 0.7% in the Southeast to a high of 9.0% in the Great Lakes. The Northeast was the only region to show a decline dropping just 1.2% in the month . . . The *Welding Supply Index* prepared by the National Welding Supply Assn. dropped from 176.7 in November '84 to 171.8 in December. The latest figure represents a 24.8 fall in the Index in a two month period. Despite this, the December figure is 29.6 higher than December '83 . . . The *Quick Pulse Aluminum Service Center Index* compiled by the National Assn. of Aluminum Distributors dropped 10.9% for shipments in November '84 to 113.4. The current figure is the lowest of the last 18 months and identical to the August '83 figure.

REGIONAL REPORT

December sales continue fall

Having fallen 10 percentage points in November's national yearly comparisons, sales continued to fall in December, dropping another 11% and barely clinging to the plus side, up a slim 4% over December '83.

Among the regions turning negative in national statistics, are West South Central, off 10%, West North Central, off 3%, and East North Central off 1%. All other regions are up with Pacific the strongest, up 16%. In November, Pacific was also the strongest region, up 27%.

In areas reporting nationally, only Ohio was in the negative column, off 4%, while most other areas had their gains pared.

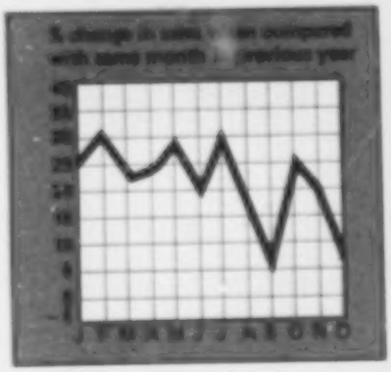
In month-to-month reporting, the national average in December was slightly better than November's figures: down 7 versus down 9, respectively. Only one region was in the plus column, New England, up 5%, and one area, Pennsylvania, up 7%.

In cumulative statistics—12 months of 1984 vs. 12 months of 1983—the year closed up 20%, a very satisfactory figure for the distribution industry. Every single region and area reporting was up in double digits except West North Central, which still gained 8%. The highest region was East North Central, up 25%; highest area, Upstate New York, up 27%.

Receivables, after having flirted with the 40 day mark through the final quarter of 1984, closed out with a rise in both categories. General line national figures ended at 43 days (vs. 41 in '83); specialists at 44 days (vs. 42 in Dec. '83). ☐

RECEIVABLES*	Dec. '84 Gen.	Dec. '84 Spec.	vs	Dec. '83 Gen.	Dec. '83 Spec.
New England	48	44		57	50
Middle Atlantic	52	46		42	43
South Atlantic	39	37		37	36
East North Central	38	41		36	39
East South Central	41	—		39	—
West North Central	—	41		—	40
West South Central	49	44		56	48
Mountain	—	—		—	—
Pacific	46	40		43	41
National	43	44		41	42

*Average days outstanding



Sales off again in December . . .

SALES BY REGIONS (% change)	Dec. '84 vs. Jan '84 Gen.	Dec. '84 vs. Jan '84 Spec.	Dec. '84 vs. Jan '84 Both	Dec. '84 vs Dec. '83 Gen.	Dec. '84 vs Dec. '83 Spec.	Dec. '84 vs Dec. '83 Both	1984 vs 1983 Gen.	1984 vs 1983 Spec.	1984 vs 1983 Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+10	−9	+5	+8	−5	+4	+16	+17	+16
Connecticut	+18	—	—	+5	—	—	+18	—	—
Massachusetts	0	—	—	+11	—	—	+15	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−5	−5	−5	+12	+1	+5	+21	+18	+19
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	−28	+21	−16	—	+21	—	+29	+22	+27
Pennsylvania	+11	+4	+7	+18	+5	+10	+14	+21	+18
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC	−4	−14	−8	+14	−5	+5	+25	+15	+20
SC, VA, WV									
Georgia-Florida	−2	−12	−7	+31	−9	+7	+37	+17	+25
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−13	−11	−11	+3	−4	−1	+26	+25	+25
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−6	−1	−2	−8	+8	+5	+12	+30	+26
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	—	—	—	—	—	—	—	—
Ohio	−8	−16	−13	0	−10	−4	+30	+17	+21
EAST SOUTH CENTRAL: AL, MS, KY, TN	−14	—	—	+9	—	—	+29	—	—
WEST NORTH CENTRAL: MN, ND, SC, IA, NE, KS, MO	−6	−2	−3	0	−5	−3	−2	+13	+8
WEST SOUTH CENTRAL: AK, LA, OK, TX	−15	−2	−6	−5	−12	−10	+17	+10	+12
Texas	—	−4	—	—	−20	—	—	+11	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−11	--	—	+3	—	—	+3	—	—
PACIFIC: CA, OR, WA	−5	+1	−4	+21	+2	+16	+24	+18	+23
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	−9	+10	−1	+18	+2	+9	+24	+15	+19
U.S.TOTALS	−6	−8	−7	+13	−4	+4	+23	+18	+20

ID's QUARTERLY INFLATION INDEX

For the entire year 1984 the *Silver/ID Inflation Index* rose 2.50%, as compared to 1.96% a year ago. For this same period the *NIDA/SIDA Index* rose by 2.4%, a remarkably close fit for the year. Note that the inflation rate for the fourth quarter of 1984 was 0.59%. Multiplied by four to annualize this rate, you get a projection of 2.34%, which suggests that no trend up or down from 1984 is yet discernible for 1985.

As you can see from Table 1, the 1984 inflation rate for industrial products is about a third less than that for the indexes in plumbing and heating, electrical and the *Consumer Price Index*. An analysis of Table 2 shows that for the fourth quarter 24 product lines went up, two were unchanged and seven fell. For the year as a whole, 30 went up and three declined.

With the end of 1984, our graph now shows the quarterly movement of our industrial index for the four years, 1981-1984. Note that for each of these four years the inflation rate for the first quarter is substantially higher than the rate for the year as a whole. For the four years the annual rate of inflation averages only two-thirds of the rate for the first quarter. Clearly, many vendors publish price increases for the first quarter of the year, and given the low rate of inflation there may be no further price increase for the year. At the beginning of 1984 we projected an annual inflation rate of 3%. The actual rate was 2.5%

Compiled by Alan Silver Associates, Inc. Highland Park, NJ

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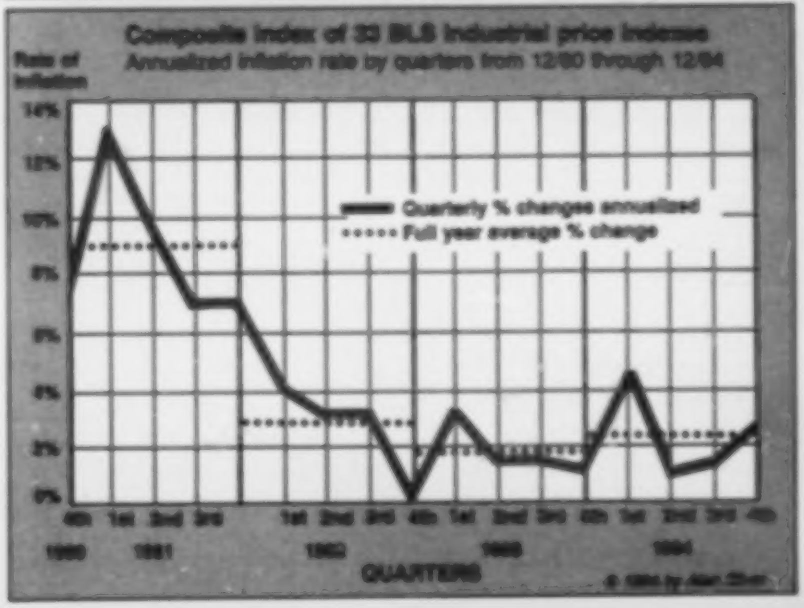
[continued on next page]

More statistical information on this industry's performance can be found in the NEWS section under "Indicators" and in *ID's* monthly REGIONAL REPORT. And watch for the 38th ANNUAL SURVEY OF DISTRIBUTOR OPERATIONS in July *ID*.

Table 1—Comparing inflation indexes

	Current qtr 12/84 vs 9/84 annualized	*BLS inflation rates (%) Year-to-date 12/84 vs 12/83	12/84 vs 12/83	12/83 vs 12/82
Silver/ID Index of 33 industrial product groups	2.34%	2.50%	2.50%	1.96%
NIDA/SIDA Index of 10 industrial product groups	0.84%	2.47%	2.47%	1.97%
**PPI Index of industrial commodities	0.86%	1.41%	1.40%	1.08%
Avg. of above indexes	1.35%	2.14%	2.14%	1.67%
**PPI Index of finished goods (industrial)	3.06%	1.69%	1.69%	0.70%
Silver/Wholesaler Index of 13 lines (plumbing)	4.44%	4.32%	4.32%	3.59%
Electrical Marketing Index of 24 product groups	2.40%	3.51%	3.51%	3.70%
***NAED Inflation Index: 18 product groups	5.86%	5.10%	5.10%	6.89%
Consumer Price Index	1.28%	3.96%	3.96%	3.80%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributors (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.


Composite index of 33 BLS industrial price indexes
Annualized inflation rate by quarters from 12/80 through 12/84

ID's QUARTERLY INFLATION INDEX...

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6	Col. 7	Col. 8	Col. 9	Col. 10	Col. 11
Product category	Current qtr 12/84	Previous qtr 9/84	% inflation current qtr.	Current qtr. annualized %	Year-to-date 12/84 vs 12/83 %	Year-to-date 12/84 vs 12/83	Last 12 months	4th qtr 83	4th qtr 82	Annual inflation 83 %
**Industrial oil	372.7	372.7	0.00	0.00	0.27	0.27	0.27	371.7	372.9	−0.3
Prepared paint	277.3	277.4	−0.04	−0.16	4.06	4.06	4.06	264.0	265.1	−0.1
*Rubber belts & belting	344.5	347.3	−0.81	−3.24	3.11	3.11	3.11	334.1	328.1	1.8
Other misc. rubber products	304.3	304.5	−0.07	−0.28	2.05	2.05	2.05	298.2	294.3	1.3
Plastic construction products	168.8	169.0	−0.12	−0.48	−0.82	−0.82	−0.82	170.2	153.1	11.2
Semi-finished steel products	373.0	374.1	−0.29	−1.16	0.81	0.81	0.81	370.0	368.7	0.4
Wire & cable	201.2	201.0	0.10	0.40	−0.15	−0.15	−0.15	201.5	198.1	1.7
***Electric wire & cable	103.6	103.3	0.29	1.16	0.39	0.39	0.39	103.2	100.0	3.2
***Building wire & cable	97.8	96.1	1.77	7.08	−0.77	−0.77	−0.77	104.0	100.0	4.0
Builders hardware	302.6	299.3	1.17	4.69	4.16	4.16	4.16	290.7	272.6	6.6
*Hand tools	365.5	359.7	1.61	6.44	4.13	4.13	4.13	351.0	342.1	2.6
*Misc. metal products	301.6	295.6	2.03	8.12	4.25	4.25	4.25	289.3	288.7	0.2
***Industrial safety eq.	139.6	136.5	2.27	9.08	4.57	4.57	4.57	133.5	130.6	2.2
*Bolts, nuts, screws & rivets (fasteners)	280.0	276.8	1.16	4.64	3.05	3.05	3.05	271.7	270.0	0.6
*Power-driven hand tools	226.6	225.1	0.67	2.69	2.56	2.56	2.58	220.9	221.6	−0.29
Welding machines & eq.	285.1	283.0	0.74	2.96	4.36	4.36	4.36	273.2	273.1	0.04
*Cutting tools & accessories	283.3	280.1	1.14	4.56	2.72	2.72	2.72	275.8	272.1	1.4
Precision measuring tools	254.9	253.3	0.63	2.52	4.30	4.30	4.30	244.4	241.5	1.2
*Abrasive products	308.1	310.4	−0.74	−2.96	0.95	0.95	0.95	305.2	298.4	2.3
Metal cutting machine tools	394.7	386.8	2.04	8.16	4.06	4.06	4.06	379.3	372.7	1.8
Metal forming machine tools	428.7	425.7	0.70	2.80	1.44	1.44	1.44	422.6	411.8	2.6
Pumps, compressors & eq.	352.2	349.6	0.74	2.96	1.70	1.70	1.70	346.3	348.2	−0.5
Fluid power eq.	281.8	280.9	0.34	1.36	2.95	2.95	2.95	254.3	248.0	2.2
*Industrial material handling eq.	292.1	290.6	0.52	2.08	1.95	1.95	1.95	286.5	286.9	−0.1
*Mechanical power transmission eq.	320.6	320.2	0.10	0.72	3.25	3.25	3.25	320.4	312.0	2.7
*Metal valves, (except fluid power)	102.8	102.8	0.00	0.00	2.70	2.70	2.70	100.1	100.0	0.1
*Metal pipe fittings	109.0	107.7	1.21	4.84	5.02	5.02	5.02	103.3	100.0	3.2
Ball & roller bearings	344.5	344.1	0.12	0.48	3.39	3.39	3.39	333.2	335.3	−0.5
Plain bearings	302.2	304.4	−0.80	−3.32	0.85	0.85	0.85	280.0	287.0	1.2
Wiring devices	362.0	357.0	1.40	5.60	5.66	5.66	1.66	341.9	327.8	4.3
Integrating & Measuring Instruments	230.8	230.2	0.26	1.04	3.17	3.17	3.17	223.7	214.6	4.9
****Electric motors	105.3	104.1	1.15	4.60	4.86	4.86	4.86	100.4	298.6	5.2
****Generators & generator sets	102.8	102.4	0.39	1.56	2.09	2.09	2.09	100.7	301.1	−0.6
*NIDA/SIDA composite	306.5	306.0	2.16	0.64	2.47	2.47	2.17	289.1	294.2	1.7
Silver/ID composite	298.6	296.6	0.59	2.34	2.50	2.50	2.50	290.8	285.2	2.0

*Included in NIDA/SIDA composite

** 12/73=100 *** 6/78=100 **** 12/82=100 ***** 6/80=100

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Industrial Distribution

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April 1985

Hotline:
Second-half
distributor sales
seen better
than anticipated

QUALITY
SYSTEMS
TEAMWORK
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Product
Showcase Review:
Fasteners

Industrial Distribution

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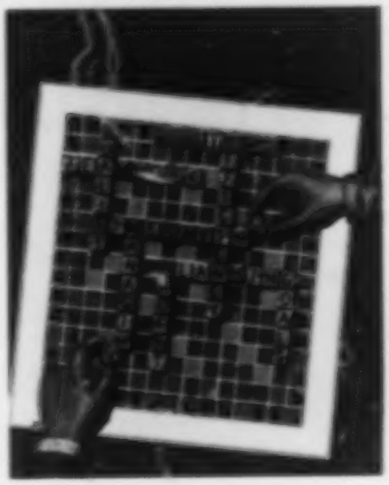

Computers, industrial psychology and financial imperatives are combining to tap the unlimited potential of the employee

Cover: Tony Fiyalko

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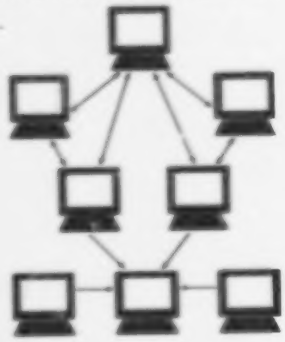

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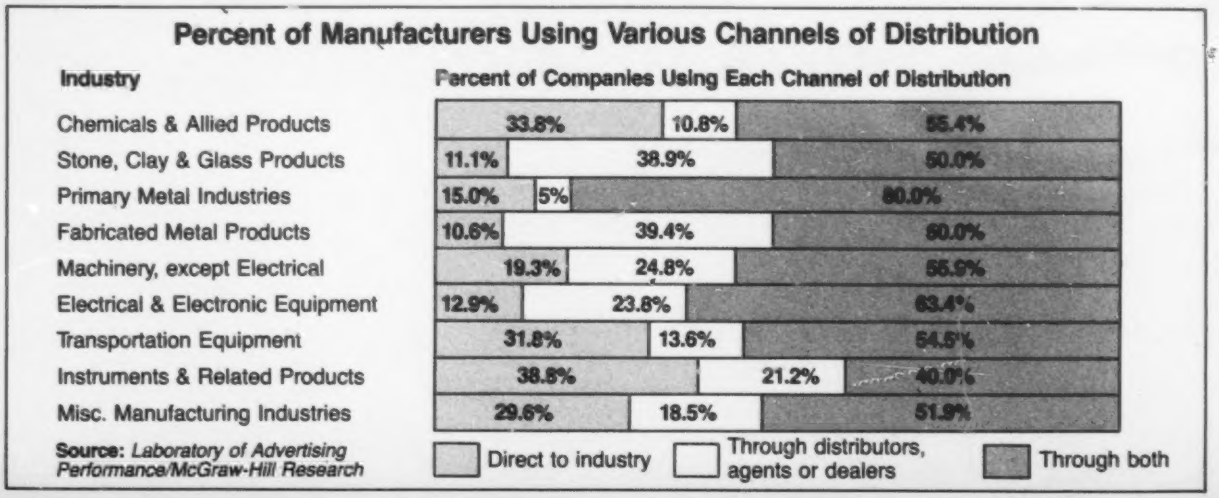
TALK OF THE TRADE

Industry markets goods through dual channels says McGraw-Hill study

NEW YORK—The majority of industrial marketers responding to a McGraw-Hill Laboratory of Advertising Performance study, 53.5%, reported that they use a combination of both their own sales force and distributors to sell their products or services. In the case of commodity-type products such as chemicals and primary metals, direct selling alone far outweighed sales through distributors alone. However, even in these categories, selling through both channels was the largest classification.

Of those marketers who limit themselves to just one channel, 24% said they sell direct to industry and 22.5% claim to use distributors, agents or dealers.

Shown below is the breakdown by industry of manufacturers using various channels of distribution.



Source: *Laboratory of Advertising Performance/McGraw-Hill Research*

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Write in No. 11

INDUSTRY NEWS...

Warner Electric acquired by Dana Corporation

TOLEDO, OH—Dana Corp. recently announced that it has completed the acquisition of Warner Electric Brake & Clutch Co. by merging a wholly owned Dana subsidiary into Warner.

As a result of the merger, Dana owns the entire equity interest in Warner Electric. The transaction is valued at approximately $157 million.

The acquisition is expected to double Dana's sales through industrial distributors who, prior to the merger, numbered between 450-500 for each of the two companies.

According to S.J. Morcott, president of Dana's North American operations, Warner Electric which manufactures mechanical and electro-mechanical motion control devices, represents Dana's largest acquisition. "More important," said Morcott, "is that the Warner acquisition adds 2800 skilled people and many highly regarded products to the Dana family." ☐

Indicators . . .

Of the three key current indicators of distributors' economic activity, one is up, one is flat and one is down, continuing the inconclusive pattern of recent months. The NIDA-SIDA *Industrial Distribution Index* for January jumped ahead by 10.1 points over December '84 to 133.6. While advances occurred in all regions, the Midwest scored a 16.7 increase and the South a 9.6 improvement over year-end 1984 . . . SIDA's *Monthly Sales Trend Report* for December dropped 8.68 from the November level. In a December '84 comparison with December '83, the association shows an overall decline of 2.65 . . . ASMMA's *New Order Index* dropped 0.5 points in December from November for an insignificant loss of 0.4%. The December figure of 122.7 represents the highest year-end level in the last four years and has only been surpassed twice in the last 39 months . . . the American Machine Tool Distributors Assn. *Total Index* of orders dropped 4% in December to 85.7 from 89.3 the previous month. The extent of the recovery in machine tools orders can be seen from the fact that the December '83 index stood at 60.3 . . . the National Wholesale Hardware Assn.'s *Hardware Sales Index* dropped 5.7% in December from November. Losses occurred in all regions with the West experiencing the greatest drop-off, 14.5%. Nationally, however, December '84 figures are 7% higher than December '83 . . . *The Quick Pulse Aluminum Service Center Index* of monthly shipments compiled by the National Assn. of Aluminum Distributors for December '84 fell to 99.5 from 113.4 in November . . . the Copper and Brass Servicenter Assn. *Flash* report of free cutting brass rod shipments dropped from 111.2 in November '84 to 87.7 in December the low of the year.

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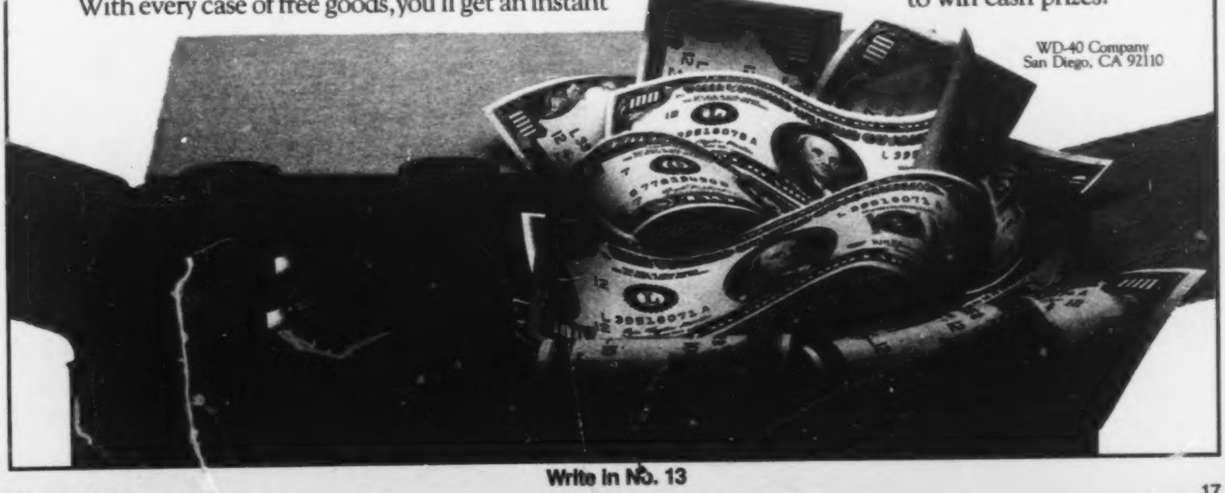


Write In No. 13

INDUSTRY NEWS...

BSA 19th convention slated for British Columbia May 12-16

CHICAGO, IL—Bearing Specialists Assn. will hold its 19th Annual Convention in Vancouver, British Columbia between May 12 and May 16.

Highlights of the event will include:

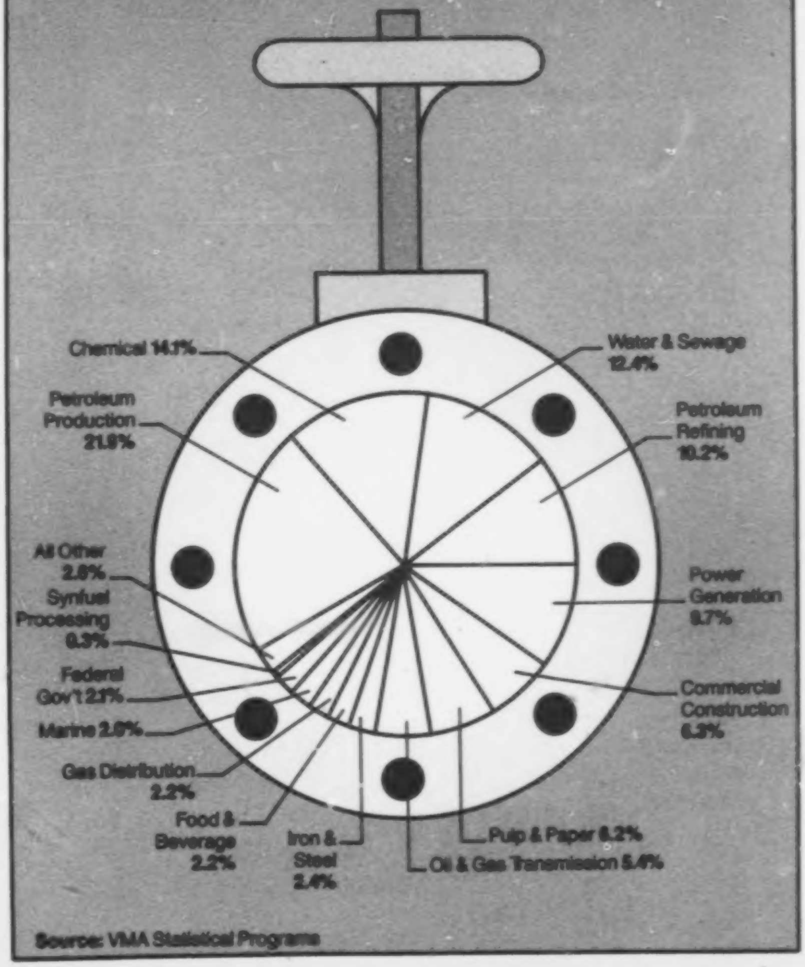
- "A Taste of Canada" welcome reception and dinner.
- A workshop, "College-Level Industrial Distribution Programs."
- A Data Processing Workshop, "Networking The Bearing Industry."
- The BSA Member/Supplier Panel discussing "The Bearing Distribution Industry From Past to Present."
- A presentation entitled "What Is NAW and What Is Its Role With BSA Members."

According to BSA, registration for the convention must be received by April 12. For additional information contact Bearing Specialists Assn., 221 North LaSalle Street, Chicago, IL 60601 or phone 312-346-1600. ☐

VMA forecasts 3% increase in 1985 valve shipments

WASHINGTON - According to a recent survey conducted among its membership, the Valve Manufacturers Assn. (VMA) is forecasting a three percent overall increase in 1985 sales compared to 1984. In turn 1984 is expected to register a four percent improvement over the previous year making it the first increase since 1981.

The following is 1985 projected domestic industrial valve shipments broken down into end use by percentage:



Source: VMA Statistical Programs

CALL TO ACTION

WASHINGTON - Recently released Internal Revenue Service regulations mandating extensive business vehicle use recordkeeping are causing an uproar in the Nation's Capital. Part of the Tax Reform Act of 1984, the IRS implemented the rules effective January 1, 1985.

HOW IT WILL AFFECT YOU

Unless repealed or modified, these burdensome regulations will continue to require distributors and others to record each business use of a company vehicle, including the user's name, date, place, time, distance travelled and purpose of the trip to qualify for business deduction.

Requiring such recordkeeping will hurt industrial distributors in several ways. It is a non-productive use of employee—chiefly sales—time. It is costly, both in terms of time and dollars spent to keep and file the required logs. And, perhaps, most important of all—certainly, most insidious of all—the new regs undermine the bond of cooperation and honesty between the vast majority of companies and the federal government.

ACTION!

Already, literally *thousands* of distributors have written urgent letters to their Senators and Representatives in opposition to the IRS vehicle recordkeeping regulations. They have been joined by thousands of other businessmen. If you are not among these business activists, there hasn't been a better time to get involved in a *long* time!

SEND MAIL TO:

(Your Senator) United States Senate, Washington, D.C. 20510. (Your Representative) US House of Representatives, Washington, D.C. 20515. *Call to Action* is a monthly news feature supplied by the National Association of Wholesaler-Distributors.

REGIONAL REPORT

January sales rebound

After two straight months of decline, dropping from 26% in October down to a gain of only 4% in December (see graph), sales rebounded in January rising to 13% nationally over January of '84.

All of the regions participated in January's rise. In national regional comparisons, the Middle Atlantic is strongest with a gain of 20% followed by East North Central at 16% and South Atlantic, up 12%.

In area reporting, Michigan is strongest nationally at 32% followed by Pennsylvania at 22% and Ohio at 16%. The weakest region is West South Central having only a 1% sales gain; the weakest area is Wisconsin which registered a hefty 12% rise.

The comparisons for the first month of '85 compared to '84 is identical to January's national statistics, the only month when this duplication occurs.

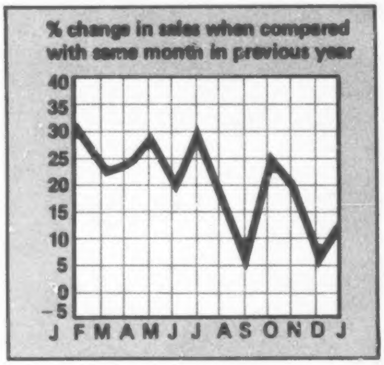
In month-to-month statistics, the gains, although not as strong as the yearly comparisons, are still encouraging as they are nearly unanimous.

The only region showing a monthly comparitive loss is Pacific, down 9%. The strongest regional gain is the 17% rise from the Middle Atlantic. This region is strong in all categories in January. The best area gain is Michigan's 29% followed by Ohio's 25%.

The U.S. Total for January '85 vs. Dec. '84 is +8% which compares with last month's −7% (Dec. '84 vs. Nov. '84). ☐

RECEIVABLES*	Jan. '85		vs Jan. '84	
	Gen.	Spec.	Gen.	Spec.
New England	54	50	46	50
Middle Atlantic	43	42	43	46
South Atlantic	37	32	35	35
East North Central	38	44	37	40
East South Central	35	—	—	—
West North Central	—	40	—	37
West South Central	46	41	49	39
Mountain	32	—	32	—
Pacific	40	41	42	42
National	41	41	40	41

*Average days outstanding



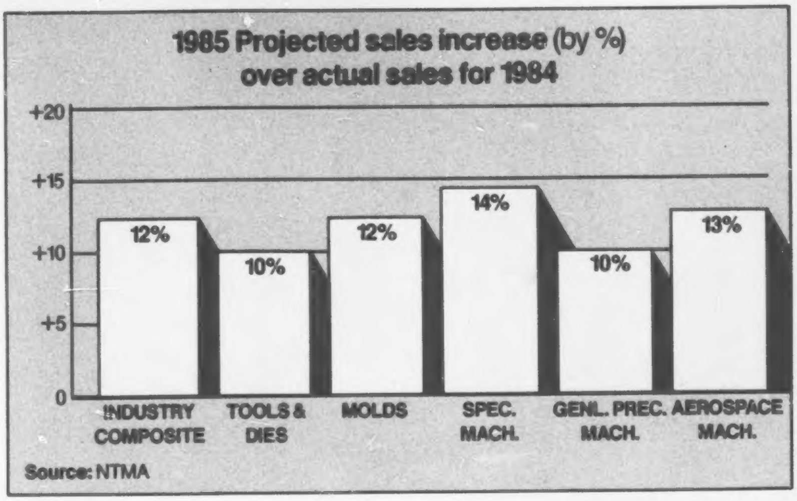
January sales break downtrend...

SALES BY REGIONS (% charge)	Jan. '85 vs Dec. '84			Jan. '85 vs. Jan. 84'			1st month '85 vs 1st month '84		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−2	+13	+5	+2	+17	+10	+2	+17	+10
Connecticut	−5	—	—	−8	—	—	−8	—	—
Massachusetts	0	—	—	+17	—	—	+17	—	—
MIDDLE ATLANTIC: NY, NJ, PA	+17	+16	+17	+33	+14	+20	+33	+14	+20
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	+4	—	—	+12	—	—	+12	—
Pennsylvania	0	+15	+6	+21	+23	+22	+21	+23	+22
SOUTH ATLANTIC: DE, DC, MD, FL, GA, INC,	+5	+12	+7	+14	+10	+12	+14	+10	+12
SC, VA, WV,									
Georgia - Florida	+1	—	—	+27	—	—	+27	—	—
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+29	+7	+16	+13	+18	+16	+13	+18	+16
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+21	−4	0	+8	+13	+12	+8	+13	+12
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+14	+40	+29	+16	+44	+32	+16	+44	+32
Ohio	+40	+11	+25	+15	+18	+16	+15	+18	+16
EAST SOUTH CENTRAL: AL, MS, KY, TN	+22	—	—	+33	—	—	+33	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	+17	—	—	+8	—	—	+8	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	+21	−2	+10	+7	−6	+1	+7	−6	+1
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+5	—	—	+11	—	—	+11	—	—
PACIFIC: CA, OR, WA	−14	+5	−9	+7	+5	+7	+7	+5	+7
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	—	—	—	—	—	—	—	—	—
U.S. TOTALS	+7	+10	+8	+13	+12	13+	+13	+12	+13

HOTLINE

Second-half distributor sales seen better than anticipated

While "guesstimates" on business activity range from mildly bearish to very bullish, experts perceive unexpected strength in the economy.



Source: NTMA

WASHINGTON—While economic pundits, prophets and seers continue to vociferously differ on the fate of business activity in the second half of 1985, many indices point to surprising vigor which should be reflected in strong distributor sales.

Despite strong disagreement and often contradictory opinions of economists, the consensus at year-end '84 called for reduced growth in the latter months of 1985, some claiming this "growth recession" would actually result in, at best, a 1-2% increase in the GNP compared to 1984's vigorous 8%. Today, estimates are being revised sharply upward.

University of Michigan economist, Saul H. Hymans, winner of the Silbert Economic Forecasting Award for "accuracy, timeliness and professionalism in economic predictions," expects to see second half '85 growth surpassing that of the first half. Hymans reportedly foresees about a 5% increase in business in the final two quarters of the year.

And Dr. Michael K. Evans, consulting economist to the American Production and Inventory Control Society, sees the economy ". . . poised for strong gains in 1985. It will expand well over 4% this year making it the third consecutive year of above average growth," he says. 1985 should be a good year for all major components of the economy, notes Evans including consumption, capital spending, housing, "and even the beleagured foreign sector," states Evans.

Another voice added to the optimistic chorus is that of the normally cautious Conference Board. While expressing uncertainty over the impact of what he calls "the new policy molecule comprised of massive budget deficits, high and volatile interest rates, an ever-widening trade deficit and a powerfully overvalued dollar," Conference Board economic counsellor, Albert T. Sommers sees expansion continuing ". . . on its upward track over the next six months."

Sommers, however, acknowledges the difficulties engendered in economic forecasting resulting from Reaganomics which, he says, "has stood conventional economics on its ear."

Repeating an increasingly familiar theme, Sommers confirms the frustration experienced by economists in attempting to make accurate forecasts when the results of Reaganomics ". . . seem to differ wildly from almost everything assumed to be true about economic policy.

"The results," quips Sommers, "have produced such low levels of forecast accuracy as to convert the whole forecasting profession from a growth industry to a declining industry." One of the greatest economic mysteries of all time, says Sommers, is why the biggest and most prolonged budget deficits of the postwar years should be associated with the strongest dollar of the postwar years.

Regardless of the apparent contradiction, David P. Reynolds, chairman and CEO of Reynolds Metals Company predicts that aluminum consumption will reach a record level in 1985 for the second consecutive year with total aluminum consumption to surpass 16 billion pounds compared to 15.3 billion pounds in 1984.

Use of the metal in transportation, building and construction, electrical, machinery and equipment markets will show gains over 1984, says Reynolds.

According to the National Assn. of Aluminum Distributors, distributor shipments are expected to advance 5.8% in 1985 to a record 1.43 billion pounds following an 8.9% increase in 1984. NAAD estimates that share of total products marketed by distributors will increase to 13.5%.

The National Machine Tool Builders Assn. (NMTBA) also sounded a note of optimism when it announced that orders for new American-built machines rose a dramatic 72% in 1984 over '83.

"Compared to 1983, '84 was a banner year for the American machine tool industry," remarked James A. Gray, NMTBA president, "but there is still plenty of room for improvement in 1985."

Heavy construction, which demonstrated new muscle in 1984 after a prolonged period of stagnation, is expected to continue to expand in 1985, according to the publication, *Engineering News Record.*

The publication says that contractors could receive $125.7 billion in new contracts for heavy nonresidential buildings and multi-unit residential projects in 1985, an increase of 5% over 1984 levels which, in turn, topped '83 by 12%.

New contracts will be led by gains in highway, bridge, airport and military construction work, said the forecast.

A final vote of confidence in the economy comes from the National Assn. of Credit Managers which sees an easing in corporate credit policies in 1985 resulting from rising sales and profits. According to its forecast, fewer NACM members see more stringent credit policies in their industries, fewer predicted an increase in accounts placed with commercial collection agencies and fewer expected a growing number of bankruptcies.

For distributors basing inventory and expansion plans on prognostications of the economy's future, prudence would dictate a scenario of expecting increases in the range of 5-12% . . . and then devoting some time to prayer. **Doug Harper**

PRODUCT SHOWCASE REVIEW: FASTENERS

_ID_'s Distributor Product Showcase of a year ago was an updated merchandising guide for fasteners. This review is the follow-up focusing on current and projected trends and opportunities for distributors in the fastener market.

The fastener business has only recently emerged from a period of weakness and now seems to be firmly on the road to recovery according to trade sources and manufacturers interviewed by ***ID***.

Although most expect 1985 to end with a record of solid accomplishment if not the blockbuster activity of 1984, many still worry about the pockets of resistance including agriculture, petroleum, and mining.

According to C.G. Scofield, managing director of the Industrial Fasteners Institute in Cleveland, the fastener industry has been wrung out over the past 9-10 years by foreign competition to the extent that some estimates say that 50% of standard products are imported.

That wringing out, says Scofield, caused a lot of plant closings and consolidations and, in some cases, companies literally going out of business.

It is possible that some additional consolidations will take place but Scofield thinks for the most part that business, "has settled down after a traumatic 10 year history and we know who we are and what we are today better than ever before.

"The new breed of executives, with no reflection cast upon the old breed, are capable men who, in addition to being technically skilled, possess business skills," he notes.

"They are the kind of men, who for the most part, don't work out of their hip pockets. They are CAD/CAM. They are computerized and they are entrepreneurs," he says.

"Our association is on a membership drive and we have just recently opened up membership to associate members, that is, suppliers of raw material, equipment and services commonly used in the industry.

"We feel that is going to be synergistic. We expect to bring in the suppliers who, in turn, will add substantially to the association that will, in turn, attract more manufacturing people. By the end of 1985, we hope to be approaching 100 members," Scofield reports.

"Last year was a good year compared to our most recent history and we hope to match the estimated $2.70 billion figure of 1984 in 1985 led by several key

markets including automobiles, electronics, and home appliances," he relates.

He says that like other industries, members are still suffering from the doldrums created by the off-highway equipment, oilfield business and farm equipment shortfalls. "So we have three fairly good markets and three poor markets," Scofield says.

He adds that some markets are going to be hit more severely in the future by foreign competition in such areas as furniture which is currently an important market for U.S. fastener products.

Estimated U.S. fastener consumption 1985 - 1987
(values in millions of dollars)

FASTENER TYPE	1985 $	1986 $	1987 $
Total Fasteners*	$4822	$5048	$5230
Bolts	$959	$1017	$1068
Screws - Large	$793	$842	$884
Screws - Small	$812	$853	$886
Nuts	$631	$665	$695
Non-Threaded	$813	$858	$896
Aircraft, Aerospace	$614	$601	$580
Specialty & Other	$201	$212	$221

*Values rounded; totals may differ.

Source: *Frost & Sullivan*

"The American steel suppliers to the fastener industry have been impacted by some very high quality foreign products but there have been some concerted efforts to meet that competition within the fastener industry of North America," Scofield says.

Bradley D. Wilson, president of the National Fastener Distributors Assn. says that his organization's members are moving into 1985 with guarded optimism because "The struggles of 1982 and 1983 are not far enough behind to be forgotten."

According to Wilson, "The drastic changes in operating economic postures demanded for short-term survival are acknowledged as having significant long-term benefits."

He adds that any predictions being given by the industry today are carefully constructed to include a "healthy respect for interest rates, employment, housing, auto production, taxes and politics."

Wilson says that the major barometers point to a moderating of 1985 growth rates but says that construction, autos and appliances all should continue their present strength through the second quarter, although overall the year may show a slight downturn.

Because of the smaller size of many of the distributor's customers, Wilson points out that one can be extremely successful while another can be "almost out of business; with little relationship to other factors.

"The bottom line for the customer," Wilson asserts, "is that he is placing orders with confidence that there will be a tomorrow. Control of growth and success for '85 have been returned in larger measure to the individual distributor to be determined by his service, ingenuity, efficiency and price superiority within his own market area."

Morrie E. Halvorsen, executive director of the Specialty Tools and Fasteners Distributors Assn. says that STAFDA members are coming out of 1984 with an increase of around 22% over 1983 which was also a good year. Average member sales are running about 50% over 1982 levels, reflecting a very sharp improvement.

And STAFDA members are forecasting a 19% increase for the first quarter of 1985 and are generally optimistic for the balance of 1985.

As far as STAFDA's primary business, construction, is concerned, what happens on interest rates is going to have a major bearing, particularly for the latter half of the year.

For the first half, Halvorsen says that "There is enough work in progress and on the drawing boards to get us into the third quarter anyway.

"Although there has been some import penetration on construction fasteners," he reports, "there has been nowhere near the competition felt by industrial fasteners. Imports account for less than 10% of construction fasteners."

The only area of the country where construction is down is in the south central region as a result of the weakness of the oil industry, says Halvorsen.

Richard Payne, vice president-sales with Safety Socket Screw, Inc. says "We're not forecasting as great a sales increase as the one we had in 1984 which for us was an all-time high following the '82-'83 slump."

Payne points out that '84 was a 29% improvement over the previous year and thinks that a 10-11% increase over 1984 "will make us quite pleased although we're anticipating some price increases."

John Zehnder, president of Earnest Machine Products Company, Inc. says that his organization is looking toward road machinery and highway and bridge construction as the next source of new business.

The President of Accurate Threaded Fasteners Inc., Donald E. Surber, says his firm looks forward to the bulk of the year "with great optimism."

Although the economy appears to be leveling off, Surber says he will be "quite happy if '85 holds to '84 performance levels."

To remain competitive in the world marketplace, points out Surber, "we must continue to sell to customer demands for improved quality. Our edge will be quality and specialization."

Dick Kerr, president of Kerr-Lakeside, a fastener manufacturer, says that "Business is pretty good basically in sizes of ½" diameter and smaller. Just about a year ago things started perking and they've gotten better and better," Kerr says, adding "I know I'm getting a lot of business from the shortages out there and we've had pretty good inventories.

"I don't claim to be much of a forecaster but I do know that we have business and we're busy. And the business seems to be coming from tool and die makers and maintenance people although, selling to distributors, we don't always know where our products are going to end up," he points out.

"In many cases," says Kerr, "Imported fasteners seem to be in short supply and the prices are increasing rapidly.

"And as far as keeping steel inventory on hand and our inability to crystal-ball it, we've all become inventory conscious but we do feel the pinch of the so-called just-in-time inventory requirements," he adds.

"I'm cautiously optimistic throughout the remainder of 1985 but I think we're still in a recession," he says, "Even though business is generally better and we're going along pretty well, I don't have a good feeling. The profit margins aren't there and we're working on very low backlogs. Because we like to give great service we prefer to have low backlogs but you have mixed emotions about that subject," Kerr emphasizes.

Peter Femiak, distributor marketing manager of the Holo-Krome Co. says that the feeling of the industry is that it is pleased about the results of last year and "wishes" that this year will be as good as 1984.

"One thing we notice is when the industry is particularly concerned about quality, we've seen strong growth," Femiak points out. "We had a good year last year and it was in the higher quality products that we saw good growth. And the key to the business is consistency."

As for its own prognosis, Femiak says that the company hopes to equal its accomplishments of 1984 with "high technology" not its only target.

He emphasizes that, "the smokestack industries haven't exactly gone away. Sometimes people tend to think that 'high tech' is taking over the world but we're not giving up on heavy industry."

The president of St. Louis Screw & Bolt Co., James E. Schiele says that the U.S. industrial fastener industry today is strong, enterprising and very forward looking.

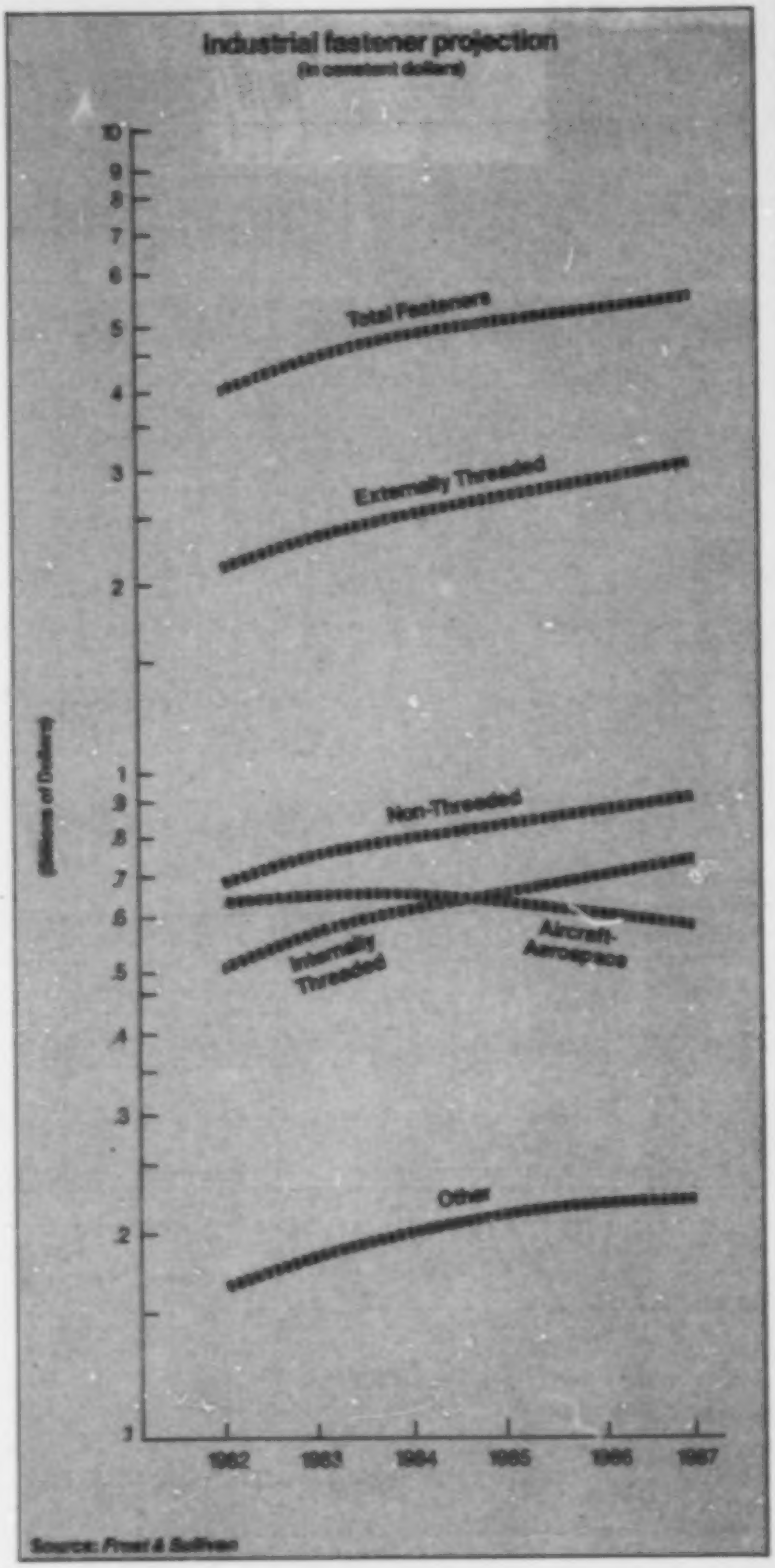
In just the past four years, Schiele stresses that "half of our industrial fastener manufacturing capacity was sold, dismantled or abandoned. The ability of this industry to rebound and reassert itself should serve as a model to other manufacturing groups in the industrial base that have been similarly victimized."

Schiele, chairman of the Industrial Fasteners Institute's Government Affairs Committee says that "Trade policy has too often been used as a wild card by the State Department in its deliberations with our trading partners and too little attention has been paid to the real consequences for American industry.

"The fastener industry is optimistic about 1985 because it is generally perceived that the greater part of the trauma of capacity reduction is in the past," says Schiele. "Companies producing industrial fasteners in the U.S. today are well positioned in their respective fields.

"There is also a growing awareness that interaction with the government, not only in trade matters but also in regulatory and environmental matters, is progressive. Accordingly, the Institute is positioning itself to be a more consistent voice in Washington," Schiele affirms. ☐

Industrial fastener projection
(in constant dollars)



Source: Frost & Sullivan

Industrial Distribution

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Bipartisan speakers predict deficit crisis at ASMMA Conference

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Preview: 1985 Triple Industrial Supply Convention

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WHY IT MAKES GOOD SENSE TO DEAL WITH VAUGHAN

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INDUSTRY NEWS...

Kirby appointed VP of industrial distribution by Loctite Corp.

NEWINGTON, CT—Norman Kirby, former regional sales manager in Chicago for Agriculture/Construction and Small Engine business for Loctite Corp. has been named vice president, industrial distribution of the firm's Industrial Group.

Kirby

In his new position, Kirby will be responsible for the company's Electronics Div., Impregnation Systems Sales Group, Permatex Industrial Div. and Customer Service. He succeeds Edward Reid who recently resigned to become a consultant.

A veteran of 13 years with Loctite, Kirby was the first million dollar salesman for the company and received the President's Award and Board of Director's Award for his accomplishments.

He began his career with Loctite as a marketing representative in Detroit and was subsequently promoted to market manager and regional sales manager, his most recent position.

Kirby is a graduate of Eastern Michigan U. and a resident of Glastonbury, CT. ☐

Caldwell is president of W.W. Grainger Distribution Group

CHICAGO—Wiley N. Caldwell has been named president of the Distribution Group of W.W. Grainger, Inc., a distributor and manufacturer of electric motors and other products.

At the same time, Caldwell continues as corporate president with overall responsi-

Indicators . . .

Once again trends were unclear with two indices advancing and one retreating as the three key indicators sent mixed messages. The NIDA-SIDA *Industrial Distribution Index* for February rose by 39 points on a national level to 137.5, 4.8 points higher than 12 months earlier. Regionally, the Midwest fared best with a 6 point increase and the South the worst with a 94 decline while the East and West made small gains . . . SIDA's *Monthy Sales Trend Report* for January advanced by 4.83 points over December '84 and stands 9.33 higher than it was January of '84. In an analysis by region, the big winners were SIDA Area 3 comprising AL, KY, MS, and TN with a healthy 12.44 increase over December '84 and Area 4 composed of AR, LA, OK, and TX which advanced by 10.58 in January compared with December '84. The one loser for the month was Area 2 (FL, GA, SC and Puerto Rico) which dropped an insignificant 1.76 points in January vs December '84 . . . ASMMA's *New Order Index* for January dropped 3.5 points from the previous month to 119.2 which closely corresponds to the figure of 119.6 the Index registered 12 months earlier in January '84. The latest figure is slightly below the 1984 average which was 120.6 . . . the National Assn. of Aluminum Distributors *Quick Pulse Index* showed aluminum shipments for January up 15.2 points from December '84 to 104.8. While a full 10 points below the January '84 level, the current figure is the highest since October of last year . . . the American Machine Tool Distributors Assn. *Total Index* of orders for January showed a rather marked decline of 26.1% from December '84 to 63.3. Despite the current drop the Index is 5.5 ahead of January '84 for an increase of 9.5% . . . The National Welding Supply Assn. *Welding Supply Index* for January showed a vigorous 21.1 increase over December.

REGIONAL REPORT

Sales dip in February

After January's recovery from two straight months of declining sales (see graph), sales dipped again in February falling 7 percentage points and holding a slim 6% sales gain over February '84.

Characteristic of this month's reporting are mixed figures for both national and month-to-month statistics.

In national figures for regions, Pacific has the strongest gain at 17% while West South Central is weakest, down 16%. In area reporting, Upstate New York shows a gain of 16% while Wisconsin is down 6%.

In month-to-month figures, Pacific again leads with a gain of 14% while West South Central is also the biggest regional loser with sales down 12%. The U.S. Totals for this category is down 2% compared with January's gain of 8%.

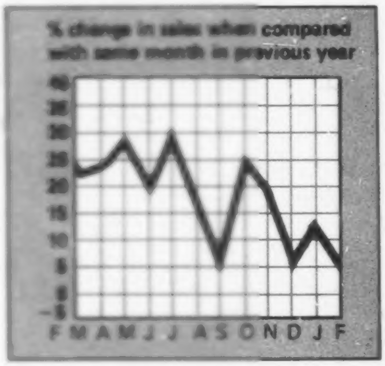
The only category to still hold up well is the cumulative report. The first two months of this year compared to the first two months of last year indicate a respectable gain of 10%. Every region and area in this category showed a gain with most in double figures.

The strongest region for two-month sales growth was Pacific, up 15%; the weakest region was West South Central, up 5%. Among area statistics Michigan is far in front with a 21% gain, while Wisconsin, at 3%, is the smallest gainer.

Receivables, which briefly broke under the 40 day mark last year, are now back over the 40 day mark with general liners at 42 and specialists at 43. ☐

RECEIVABLES*	Feb. '85 Gen.	Feb. '85 Spec.	vs Feb. '84 Gen.	Feb. '84 Spec.
New England	47	49	44	52
Middle Atlantic	47	44	40	45
South Atlantic	37	37	33	35
East North Central	38	43	35	40
East South Central	42	—	33	—
West North Central	—	—	—	—
West South Central	—	46	—	44
Mountain	—	—	—	—
Pacific	41	41	42	38
National	42	43	38	42

*Average days outstanding



Sales gains pared in February . . .

SALES BY REGIONS (% change)	Feb. '85 vs Jan. '85			Feb. '85 vs. Feb. '84			1st two months '85 vs 1st two months '84		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−2	−11	−5	0	+15	+4	+2	+27	+9
Connecticut	+1	—	—	−1	—	—	−3	—	—
Massachusetts	−5	—	—	−1	—	—	+7	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−10	+4	−3	+15	0	+6	+14	+6	+9
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	−21	−5	−17	+31	−10	+16	—	−7	—
Pennsylvania	−1	+13	+6	+13	+1	+6	+17	+6	+11
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC	−5	−3	−4	+2	+5	+3	+8	+7	+7
SC, VA, WV									
Georgia - Florida	−12	−4	−8	+12	+8	+10	+20	+10	+14
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−2	−5	−4	0	+6	+4	+7	+15	+12
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−8	+6	+3	−12	−4	−6	−2	+5	+3
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−6	−16	−11	−1	+14	+6	+8	+34	+21
Ohio	0	0	0	+6	+17	+14	+11	+20	+18
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−15	—	—	−5	—	—	+7	—	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	+1	−14	−12	−2	−18	−16	+17	−7	+5
Texas	—	−12	—	—	−13	—	—	−5	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+20	−8	+14	+23	−4	+17	+15	+12	+15
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	—	−1	—	—	−9	—	—	0	—
U.S. TOTALS	+1	−5	−2	+11	+1	+6	+11	+9	+10

NIDA/SIDA Preview . . .

Distributor Productivity Report

PHILADELPHIA—Early returns indicate that 1984 was the best year in the past five years for industrial distributors with sales up 17% and most other measures improved substantially.

Trends in key measures for these past six years indicate how closely sales growth is tied to overall performance:

	1979	1980	1981	1982	1983	1984
Growth in sales (%)	22.8	5.0	6.0	-9.7	-4.1	17.0
Gross margin per employee ($1000)	35.0	35.2	37.5	38.8	37.8	45.0
PPR (Payroll Expense % Gross Margin	49.7	55.1	57.4	62.0	61.9	56.2
Inventory Turnover (Stock)	3.8	3.7	3.7	2.3	2.3	3.2

A growth business

Chart 1 indicates that industrial distributors sales have increased to 156.2% of the 1977 level compared to the *NIDA/SIDA* (National and Southern Industrial Distributors Assns.) *Inflation Index* which rose to 158%. Thus, the sales increases of industrial distributors did not keep up with price increases during this period and had there been no price increases since 1977, industrial distributors would have had a slight drop in sales over the past seven years.

The erratic sales performance coupled with virtually zero real growth has serious implications for the future of industrial distributors.

Productivity measures

Gross margin per employee in 1984 was 28.5% above 1979 which was less than the *NIDA/SIDA Inflation Index* increase of 34.6%.

Chart 2 shows that even though the gross margin per employee increased 28.5%, the typical employee compensation went up 45.4% in the same period.

If industrial distributors want to reach the goal of 50% for PPR, they must either raise the gross margin per employee (from $45,000 to $50,600) or lower the payroll per employee from ($25,300 to $22,500) as shown below:

Raise gross margin (GM):

$$\text{Personal Productivity Ratio (PPR)} = \frac{\text{Payroll}}{\text{GM\$}} = \frac{\$25{,}300}{\$50{,}600} = 50\%$$

Lower payroll per employee:

$$\text{PPR} = \frac{\text{Payroll}}{\text{GM\$}} = \frac{\$22{,}500}{\$45{,}000} = 50\%$$

The solution can of course be a combination of raising gross margin and lowering payroll.

Sales change vs PPR goal

Chart 3 shows how productivity tends to follow sales growth. The sales change plotted against the variation of PPR against the goal of 50%.

For the four years following 1979 when the PPR was 49.7%, the small or negative sales change caused severe increases in PPR data. It may have been expected that the 17% sales increase in 1984 would have brought the PPR closer to the goal of 50%, but apparently as times got better, payroll continued out of control.

Needed: more focus on productivity

The climate has never been better for improving productivity and it may never be better in the forseeable future. Although most industrial distributors did well in 1984 with sales up substantially, expenses will be rising to higher levels; and if interest rates rise, sales drop, or margins decline, there will be serious problems.

The results of 1984 were bound to be better since 1982 and 1983 saw the worst recession since the great depression which resulted in highly visible changes in attitudes of workers and makes the time opportune. Some areas to consider are:

- The work force is ready for a change. Powerful unions which had pushed their wages too high have been forced to give back increases in wages and benefits, and to make work rule changes. Plants have been closed and workers put out on the streets. Employee cooperation is the best since the depression and there are signs of self-reliance and fairness, which is a big change from "the company owes me a living." The level of aggressiveness of American labor is still dropping, but a real boom in the economy or changes in governmental policies could reverse this very healthy process. That's why it's time to make a compact with your workers, a compact to pay them based on productivity.
- We could have a continuation of the booming economy and, if we do, industrial distributors will have greater difficulty in installing a productivity improvement program.
- All of the basic information you need in order to proceed is available now—it only requires reordering and analysis.

If you become convinced that you need higher productivity in your firm you should start now—in 1985—because it just may be the one time you will be able to do it!

No controls over productivity

Over the past 15 years, I have observed the distributor performance reports of over 25 commodity line trade associations.

As you follow year to year, you will see that employee productivity, which was never very high, follows the economic cycle. When business is good, productivity increases; that is, total wage costs decrease as a percent of Gross Margin; and when business is bad, productivity goes down and payroll increases as a percent of Gross Margin.

NIDA/SIDA . . .

While this is happening, the average wage is steadily increasing due to "annual automatic raises" or so called "cost of living" plans, payroll taxes, or for any excuse that can be found. Rarely, if ever, are these increases tied to productivity improvement.

Here are additional facts taken from my studies of the Distributor Performance Reports:

- High productivity is often achieved by luck.
- Fringe Benefits, a part of total wages, have risen faster than wages but are often ignored by management because they are thought to be uncontrollable. It is almost impossible to employ someone without paying the Government 14% in Social Security taxes which, for half of American workers, is more than their income tax.
- Distribution is a roller coaster business. This is part of the overall economic scheme; the wholesalers are the buffer—they are supposed to be able to operate at optimum efficiency in good times and bad. This is what the suppliers and customers believe.
- Even though many distributors have been using the wrong measures for productivity, employee productivity in distribution can and is being measured by thousands of distributors. "If you cannot measure the productivity of your workers, you cannot manage your business!"

Personnel productivity

The accepted measure of productivity in distribution is the Personnel Productivity Ratio, or PPR and the productivity of employees has a direct correlation to net profit for distributors.

The lower the PPR, the higher the profit. This correlation between productivity and profit is evidenced in most of the *Distributor Performance Reports* which have become so popular as a measuring tool for distributors who strive to improve their net profit margins.

Roadblocks to productivity

■ The inclination to set modest or ambiguous goals.

The *Wall Street Journal* has been running articles which contain the responses to queries made to a broad base of companies. In answer to the question, "What progress would be made on productivity?" I quote the following:

> "Most of the executives expect their companies to make *some* progress on productivity this year. This doesn't mean the executives have suddenly grown more optimistic about productivity. In the past, they have also forecasted moderate improvement."

Perhaps these executives have been burned before and are, therefore, disinclined to expect much, if anything, in productivity improvement.

The article also included the prediction that wages would rise 5%-6% in 1985. These automatic wage increases are perhaps the primary reason for these executives forecasting modest productivity gains. Wage increases not tied to productivity gains is the primary reason for the failure to raise productivity. If the rabbit has already received the carrot, what reward is to be offered?

■ Over-optimistic short-term forecasts.

When in a downturn, if you hold over an organization for an expected future upturn, you create the following scenario:

- You are overstaffed now.
- The staff (in order to avoid notice and/or being fired) must appear busy—thus they perform the oldest game known to workers—ALB—*Always Look Busy.*
- When (and if) the boom comes, the workers, afraid that ALB will be exposed, start demanding more staff.
- Usually the workers get their way.
- It is reasoned that we can take care of this kind of problem at the next downturn and, "What the hell, we are making money now."

■ Failure to learn to live with low growth.

We may not again see the enormous secular growth period of the past 40 years. We may see low and probably no secular growth for long periods of time. Of course, some commodity lines and some firms will be the exceptions, but their growth periods will be followed by downturns.

■ Sales management myopia.

Sales managers play a key role in any distributorship but they are rarely able to see the relationship of their efforts with the overall productivity of the firm.

Changes in sales policies and even compensation will be necessary as a result of a productivity improvement program and these changes will usually be accompanied by resistance from your sales manager and salesmen.

The sales department, where over one-half of the productivity increases must originate, will be your most difficult road block.

■ Failure to develop accurate and useable measures.

Computers have provided more information to the distributors who have them than they can possibly use. It's not that distributors don't have information, but it's often the wrong kind of information.

Smart managers will insist on information that is easy to read and understand and contains only the significant measures they need.

Managers are going to have to learn how to ask for information from their computers; they are going to reject the useless pages of data and deal only with the numbers they can use. And, they are going to have that information *when it is happening, not hours or days later.*

Have the courage to maintain an innovative approach to your business.

The role of a distributor is clearly defined, it is to do things for his manufacturers and customers more economically than they can do them for themselves.

Successful distributors find ways of making more money at this and they do it by being *different* from their direct competitors. Unlike the "traditionalists" who adhere to outmoded policies either out of lethargy or the fear of failure, innovators respond to change in the marketplace and assume the risks which are involved. ☐

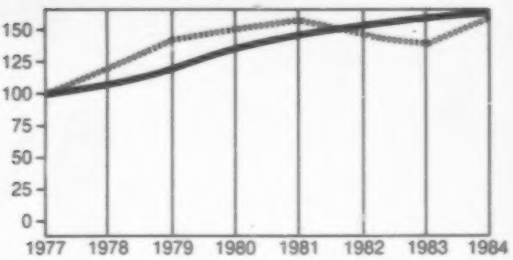
About this report:

Annually, National and Southern Industrial Distributors Assns. jointly ask members to fill out a questionnaire on their own firm's performance. Each participant receives the basic analysis for the industrial distribution industry called the Distributor Productivity Report, a confidential, personalized analysis of his own firm's performance, with obtainable goals for nearly every productivity and financial factor in his own business.

Herein is a preview of the master Distributor Productivity Report due early summer. It was prepared for NIDA/SIDA by noted distributor consultant George C. Webster. The master report may be obtained by non-members of NIDA/SIDA or by manufacturers for $150 from National Industrial Distributors Assn., 1900 Arch St., Philadelphia, PA 19103.

Chart 1

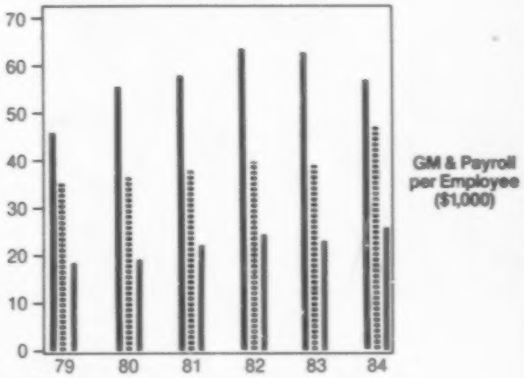
Sales Growth and NIDA/SIDA Inflation Index 1977-1984



	1977	1978	1979	1980	1981	1982	1983	1984
●●●●● Cummulative Sales Growth	100.0	112.1	137.3	144.5	153.2	138.3	133.5	156.2
▬ Inflation Index	100.0	107.2	117.4	131.2	144.3	153.1	155.0	158.0

Chart 2

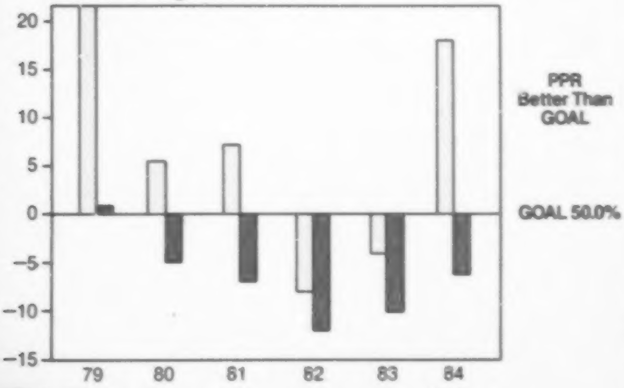
Gross Margin & Payroll per Employee vs. PPR



	79	80	81	82	83	84
PPR (%) ▌	44.7	55.1	57.4	62.0	61.9	56.2
GM per Employee ⋮	35.0	35.2	37.5	38.8	37.8	45.0
Payroll per Employee ▌	17.4	19.4	21.5	24.0	23.3	25.3

Chart 3

Sales Change vs. PPR Goal



	79	80	81	82	83	84
Sales	22.6	5.0	6.0	−9.7	−4.1	17.0
[illegible]	+0.3	−5.1	−7.4	−12.0	−11.9	−6.2

(Variance from goal)

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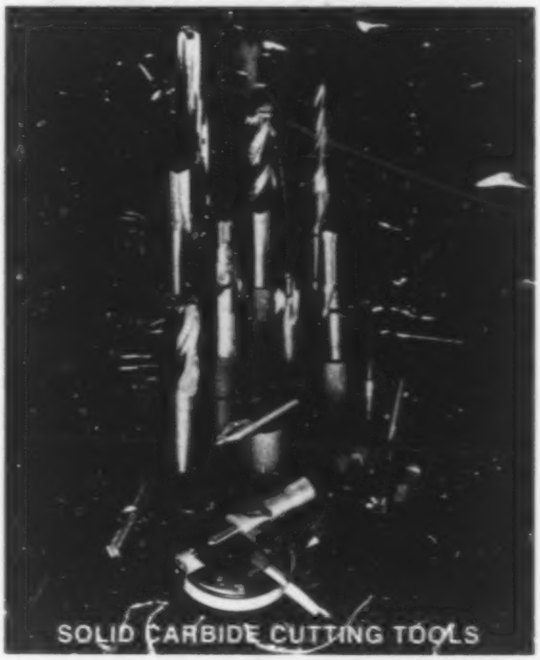

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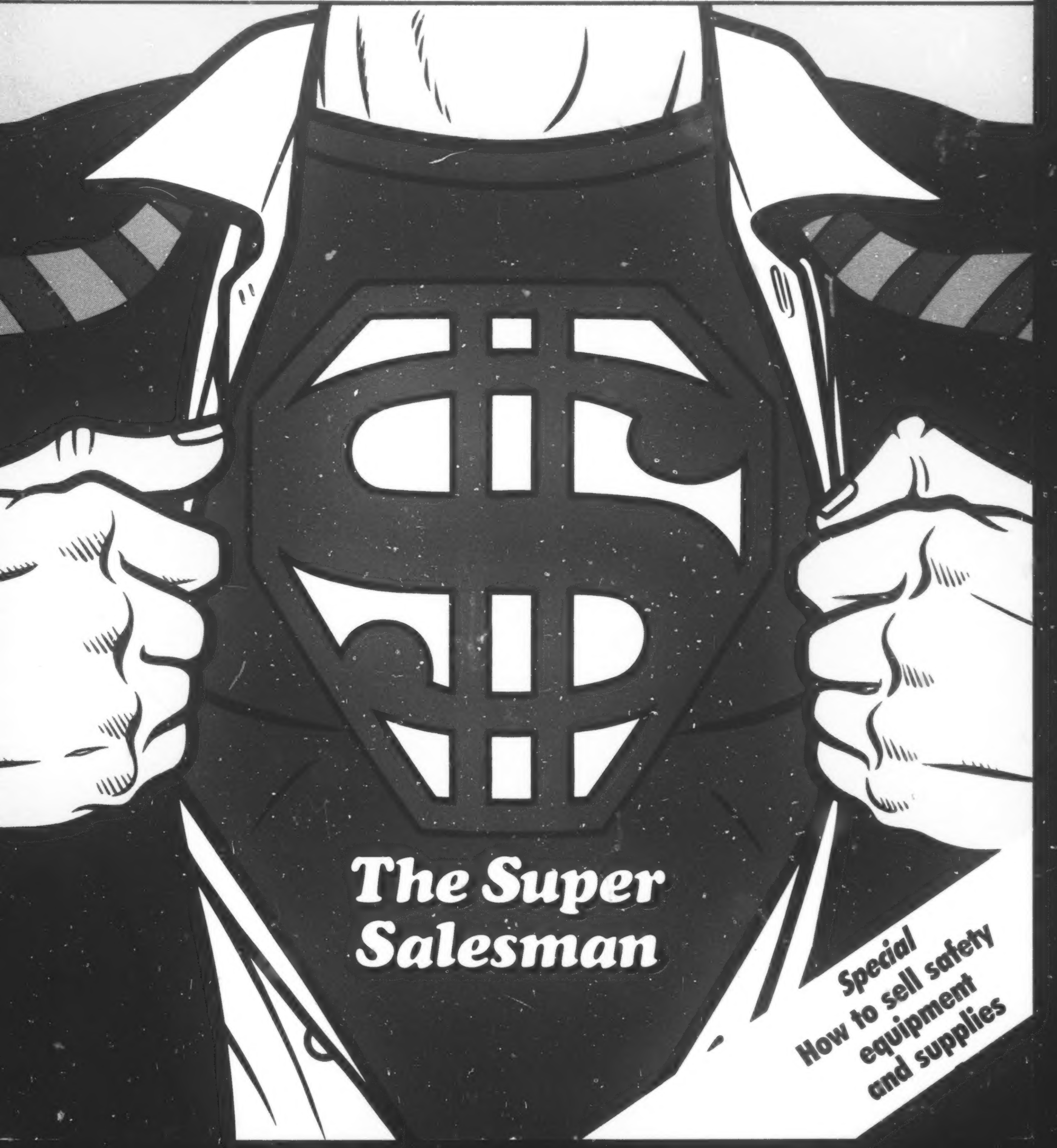

The Super Salesman

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Industrial Distribution

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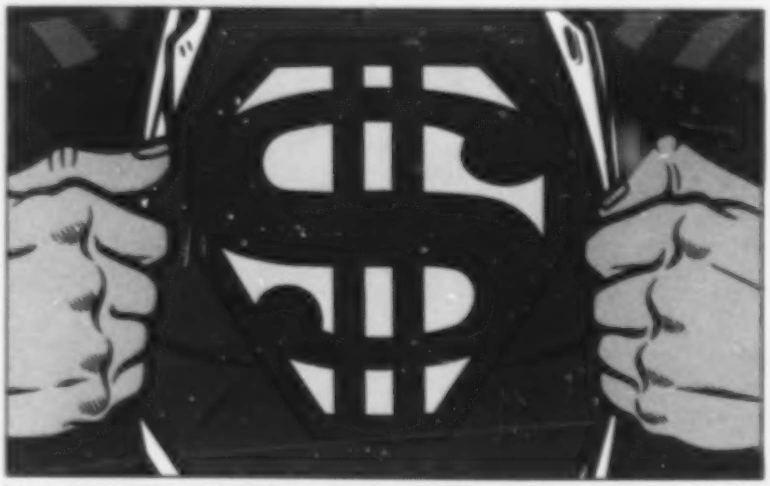
THE SUPER SALESMAN



To him, selling isn't a way to make a living, it's a way of life.

Cover illustration: David Coulson

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On-line means shorter processing time for two distributors; Move heavy loads with vacuum power; Keep up with latest telemarketing skills; Columns offer sales tips all year long; Phone system improves link to distributors; Latest business data at your fingertips; Steps to making a better catalog.

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TALK OF THE TRADE

resources but also fit in with longer-range goals.

These included: development of better information systems to monitor and control present operations including inventory control, quality control and materials planning and handling; realign the plant function in more logical patterns; reduce job set-up time; work toward a total manufacturing system to replace the mix of new and old or computer and manually controlled equipment.

The participants also agreed that a total manufacturing system approach is ideal but that few companies are in a financial position to redesign and build a system from the ground up. Instead, they agreed, plants must work with a mix of old and new equipment.

Among the steps suggested by the Council for correcting the deficiencies of front-line managers are:

- The inclusion of manufacturing in degree courses.
- The establishment of cooperative programs that allow students to work in plants while still in school.
- Managerial rather than technical training for supervisors.
- Experience in other areas of a company by supervisors before their assignment to the shop floor.

Participants in Norton's first Council included:

Richard B. Kennedy, vice president, Vitrified Grinding Wheel Div., Norton Co.; Peter J. Ashton, vice president, Bearing Operations, Timken Co., Canton, OH; Sam F. Karabasz, vice president-manufacturing services, Eaton Corp., Cleveland, OH; Richard P. Shore, industrial relations advisor, U.S. Bureau of Labor-Management Relations & Cooperative Programs; and Howard Tinsman, director of manufacturing, Energy Services Group-Cooper Industries, Springfield, OH. ☐

Peter Baldwin heads new Ingersoll-Rand products division

CHARLOTTE, NC—Peter Baldwin has been named to head Ingersoll-Rand's newly formed Single Stage Products Div.

Baldwin, vice president and division general manager, said the new division's initial product offering will be X-FLO, a mixed-flow single stage turbo compressor.

Baldwin

According to Baldwin the new division will allow Ingersoll-Rand to fill out its product line and to introduce innovative products. ☐

Automation aids and position sensors seen showing strong growth

NEW YORK—Products as diverse as automobiles and packaged foods are fueling the market for position sensors and automation aids, says a new study by the research firm of Frost & Sullivan.

According to the report, the 1984 market level for these products has already doubled and should grow another 50% between 1984 and 1987 to become valued at more than $400 million.

Much of the credit for the growth belongs to the automotive industry, says Frost & Sullivan, which uses the sensors in both assembly line tasks and as on-board engine controls in completed cars. Other uses in packaging, materials handling and in computer printers is also on the upswing, claims the study.

The report says the 1984 industrial market for position sensors totalled $242 million plus another $25 million installed in automotive applications. Sensors are expected to grow to $363 million in industrial applications and $38 in automotive uses by 1990, notes the study.

In terms of specific types of hardware, the Frost & Sullivan report notes that in dollars, rotary encoders are the clear leaders with photoelectric position switches the second largest segment and proximity devices the third.

The Frost & Sullivan study *Position Sensors and Automation Aids*, priced at $1550, is available from Frost & Sullivan; 106 Fulton Street; New York, NY 10038. ☐

[continued on page 12]

Indicators . . .

Marginal decreases in all three major indices indicate that the economy may be ready for a breathing spell after the strenuous exertions of recent months. The NIDA/SIDA *Industrial Distribution Index* showed a 4.9 point drop nationally with all regions experiencing about the same degree of decline in March. The East with a 5.5 point drop showed the sharpest loss followed closely by the Midwest which registered a 5.4 loss and the West which slipped 5.1 points. The South fell by 3.2 . . . SIDA's *Monthly Sales Trend Report* for February showed a minimal loss of 2.30 on a national basis although the regional results were decidedly mixed. Despite the overall drop, for example, SIDA Area 3 comprising AL, KY, MS and TN increased by a healthy 18.79 points. Losses range from SIDA Area 4 (AR, LA, OK, TX) which fell by 9.49 points from the January figure to SIDA Area 2 (FL, GA, SC, Puerto Rico) which were down by 5.92. SIDA Area 1 (NC, VA, WV) stayed essentially flat posting a miniscule gain of 0.64 over January. Year-to-date '85 versus year-to-date '84 comparisons show a less than one point increase . . . ASMMA's *New Order Index* for February fell by just two points from January, for a loss of 1.7%. Although the latest figure is the lowest since April '84, it is higher than any figures registered during 1982 or 1983. The base line for ASMMA's Index is the year 1977 which represents 100 . . . The American Machine Tool Distributors Assn. (AMTDA) *Total Index* of orders dropped 6.8% in February from January to a figure of 59.0. One year ago the Index stood at 59.1, an infinitesimal .2% higher than the current figure . . . The National Welding Supply Assn. *Welding Supply Index* fell by exactly 10 points in February to 183.9 compared to 193.9 in January. YTD '85 to YTD '84 shows a 17.2% increase. Despite the latest decline, the current figure has only been exceeded twice in the last 50 months and is higher than any figure previous to October '84 . . .

REGIONAL REPORT

Sales slip again in March

For the second straight month (which makes four out of the past five months), sales gains declined, when measured year-to-year. March figures show a 3% gain over March '84, which is a 3% drop from February's gain of 6%.

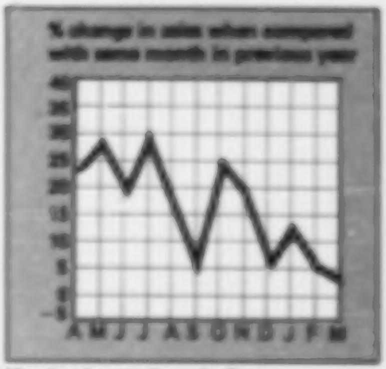
Although the overall regional statistics were influenced by West South Central's sharp 22% drop, all of the regions reporting gains were weak (in single digits). In area reporting in this category, only Upstate New York and Pennsylvania were in double digits, showing gains of 10% and 16% respectively. The Mountain region registered pluses across the board for general line distributors.

In the more immediate, month-to-month category (March '85 vs. February '85), some improvement is indicated in the U.S. Total which stands at a gain of 8%. This figure was down 2% in February. In most regions and areas, the gains were slight. The exceptional regions were Middle Atlantic, up 13%, and South Atlantic, up 11%; exceptional areas were Pennsylvania, up 21%, and Oregon-Washington and Wisconsin, up 15% and 14% respectively.

In cumulative reporting, the first 3 months of '85 compared to the first 3 months of '84 continued to show a gain (approximately equal to February's). The Pacific region is the strongest, with Upstate New York, Pennsylvania and Ohio the strongest areas. West South Central is the weakest region, down 11%. ☐

RECEIVABLES*	March '85 Gen.	March '85 Spec.	vs. March '84 Gen.	March '84 Spec.
New England	41	50	37	48
Middle Atlantic	44	45	41	47
South Atlantic	38	36	34	37
East North Central	40	44	39	41
East South Central	41	—	40	—
West North Central	—	—	—	—
West South Central	—	42	—	37
Mountain	—	—	—	—
Pacific	38	37	40	44
National	40	42	39	42

*Average days outstanding



March sales continue decline . . .

SALES BY REGIONS (% change)	March '85 vs. Feb. '85 Gen.	Spec.	Both	March '85 vs. March '84 Gen.	Spec.	Both	1st three months '85 vs. 1st three months '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+12	+3	+6	+3	+6	+5	+6	+13	+10
Connecticut	—	—	—	—	—	—	—	—	—
Massachusetts	+15	+5	+8	+4	+8	+7	+6	+12	+10
MIDDLE ATLANTIC: NY, NJ, PA	+15	+11	+13	+7	+6	+6	+16	+5	+9
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	+8	−11	0	+27	−9	+10	+39	+2	+21
Pennsylvania	+26	+17	+21	+17	+15	+16	+19	+9	+13
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC	+11	+10	+11	0	0	0	+11	+7	+9
SC, VA, WV									
Georgia - Florida	+10	+4	+7	+7	−5	0	+15	+4	+9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+4	+15	+9	+2	+11	+6	+6	+13	+9
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+9	+16	+14	−8	+16	+9	−4	+12	+8
Chicago	—	—	—	—	—	—	—	—	—
Michigan	+2	—	—	+7	—	—	+10	—	—
Ohio	+9	+12	+11	+4	+10	+7	+8	+16	+13
EAST SOUTH CENTRAL: AL, MS, KY, TN	+13	—	—	+16	—	—	+20	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	+8	—	—	−21	—	—	−4	—	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	−12	+11	+6	−3	−25	−22	+3	−13	−11
Texas	—	+12	—	—	−23	—	—	−11	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	+30	—	—	+17	—	—	+5	—	—
PACIFIC: CA, OR, WA	−4	+13	0	+13	−11	+6	+15	+21	+18
L.A.-San Diego	−6	—	—	+13	—	—	+14	—	—
Oregon-Washington	+11	+19	+15	+17	−14	−2	+18	−13	0
U.S. TOTALS	+4	+12	+8	+5	+1	+3	+10	+7	+9

The Super Salesman

Ask a salesperson who's just getting by what it takes to be a good salesperson and he'll probably give you some standard answers: a good personality, nice appearance and positive attitude. Ask someone who's doing a lot better and he'll probably add to the list and rearrange it: a certain amount of drive, a willingness to plan and the ability to put the customer first. But if you ask one of the very best, someone who makes the top dollars year after year, you'll find something else, something that is missing in the others—a drive to succeed that borders on obsessive.

While all salespeople think that appearance, personality, planning and customer service are important, the top ones do something that the others don't—they make the sacrifices necessary to be the very best. This may be seen in their work habits (making calls at 7 a.m., finishing up at 8 p.m.), willingness to learn (attending extra product seminars) or persistence (calling 9, 10 or however many times it takes to get an order). But regardless of how it manifests itself, the willingness to sacrifice is there, and it's what makes them the elite in industrial sales.

Persistence is a key with any of the top sellers. When a prospect or customer says no, they don't walk away. Instead, they view the rejection as a challenge.

"We recently made a large sale to a big abrasive user in Florida that was about 2½ hours away from us," explains Bruce Davis, of Davis & Marr Supply Co., Jacksonville, FL, a salesperson for four years. "The day I walked into the place, I was told that there's no way I'd get the business. But we got it. We showed them what we could do for them and we got it."

Davis, who says that "the selling starts when the customer says no," feels that the only way to be successful is for a salesperson to have the tenacity to keep on calling when he knows that he can help a customer. Those who don't, he says, just don't want the business as badly as he does.

Rejection doesn't stop Jim Littlefield either. An 18-year sales veteran working for Davis Industrial Products Co., Portland, OR, Littlefield says, "If a customer tells me don't come back, your product isn't as good as so-and-so's and I know that I can help that customer, rejection doesn't bother me a bit. It makes me go stronger and work harder at convincing him that he's wrong."

Schuh of Scallan Supply Co., Cincinnati, OH, says that that's what selling is all about. "It's more of a challenge to call on a person when he doesn't want to do business with you."

Persistence, however, does not mean unrestrained aggressiveness, a quality that is found frequently in less successful salespeople. Top sellers are persistent and aggressive, but in a selective and diplomatic manner. They don't bully their way into seeing someone, demand business or insist on being heard. They find out how they can help, what products are best for a customer and new ways to present their case.

For top performers, persistence means doing homework and keeping up on the latest business trends. When they do go back to make a call, they usually have new information along with a modified presentation that will more closely fit the customer's needs. Less successful salespeople often ignore this, and, when calling on a customer again, give the same pitch that got them nowhere the first time.

Dr. Richard E. Boyatzis, a Harvard-trained psychologist and president of McBer and Co., a Boston, MA, management consulting firm that has conducted hundreds of tests on successful salespeople, says that such flexibility and creativity are found in most of the elite salespeople.

"They always have alternative strategies and are willing to switch; they are always willing to try a new approach. And, if it's necessary to be innovative on the spot, they will be," he says.

Top sellers have an excellent sense of what is going on during a sales call and what has happened when it's over, which helps them to shape their next move. Dr. Boyatzis calls this quality "conceptual thinking and analytical thinking.

"These salespeople have the ability to draw inferences, to use concepts to deduce what's going on in the selling and what to do next. Doesn't everybody do this? No. Some people don't pay any attention and go through their presentations regardless of what they are encountering."

Tony Cantone, vice president, sales, The Hope Co., Fitchburg, MA, and a former salesperson, calls it "street sense."

"Top people know when they are being

"When the buyer turns you down cold, you face the true test." Secrets of Closing Sales, Charles B. Roth and Roy Alexander (Prentice-Hall).

"I called on a brewery for two years. Two years, and the guy would never see me! He was always out, too busy or would tell me to make another appointment or something. Then, when I finally got to see him the first time, he gave me an order. Why'd I keep on doing it? Because I knew that someday something would happen and he'd want to talk." Art Schuh, industrial salesperson for 16 years.

fooled, when a guy is saying, 'Yeah, that sounds good to me,' but really means, 'You're not getting the order!' "

Lesser salespeople may push at this point, thinking that they are being persistent, or they may give up altogether. The best usually change their approach or retreat to find a better way to make their pitch.

"They make money the old fashioned way. They earn it." John Houseman for Smith Barney.

"I'll put in 60 hours in an average week. Hours don't mean anything; getting customers their products does." Ruben Nayback, industrial salesperson for 30 years.

Supersalespeople may not do anything radically different from others, but they do it more often. The "it" might be planning calls, seeing clients or anything that could make them more successful. They don't see selling as a nine-to-five job.

"If it were only a 40-hour-a-week job, I don't think I could make much money," says Schuh. "I spend a lot of time working at home, calling clients and so on because it's a lot easier to talk to them then."

Littlefield, of Davis Industrial Products, believes that this is a key to his success. "I work harder and smarter and spend an awful lot of time planning," he says.

They are not clock watchers or goof-offs—if it were that easy, everybody would be successful. Instead, they make calls early—as early as 7 a.m. if they know the purchasing agent will be there—because they know that they will have the customer's time to themselves. And they'll see people late in the afternoon, regardless of how tempting it might be to knock off early.

"That's the one thing you really see in these guys—the work ethic," says Cantone. "They're willing to do the homework, the prospecting, the identifying of accounts."

Dr. Boyatzis says simply that the best people have an "underlying desire to do better." They want to be top sellers and are willing to do what it takes for them to reach that goal. If that means working longer hours to learn about a new product or how to outmaneuver a competitor—which it often does—they'll do it. Their work ethic is also evident in their devotion to customers. While all salespeople are likely to say that the customer comes first, the best really act that way.

"One account we had was about $30,000 a month, but I knew that they were using a product wrong—they were buying too much of it and I told them so. But the place was very secretive and they wouldn't let me back in the plant. Finally, after six months, they let me back and I showed them how to use the product right and cut their usage over $20,000 a month," says Littlefield. His action, he says, has made him that much stronger in the plant.

Dr. Boyatzis says that supersalespeople do want to help customers. "The best are really good at finding out what the other person wants or needs or values and then figuring out how to meet those needs. In some cases that might mean not selling the higher priced item."

The best try to become part of their customers' companies. They are sought out by customers when there are problems, when answers are needed and for general advice. They know their customers' businesses and view themselves somewhat as consultants. They like to hear how their hard work and dedication to the customer saved someone time or money. And they make themselves available.

"Money changes everything." Cyndi Lauper.

"Why am I in sales? Put it this way: I need a new BMW." Bruce Davis, industrial salesperson for four years.

As a motivator, money tops the list for many of the best salespeople. "Being hungry is always a great self-motivator," says Ruben Nayback, of F.B. Wright, Dearborn, MI, a 30-year sales veteran.

Arthur Thorton, vice president, sales, Davis & Marr Supply Co., goes a step further: "It's not aggressiveness or single-mindedness that drives these guys; it's the greed factor. Money is their motivator."

Money, as Thorton says, is the reason why people get up in the morning and go to work. And obviously, the more a salesperson sells, the more he will make. But the "greed factor" does not mean that all best sellers are out to make money for its own sake (although some certainly do).

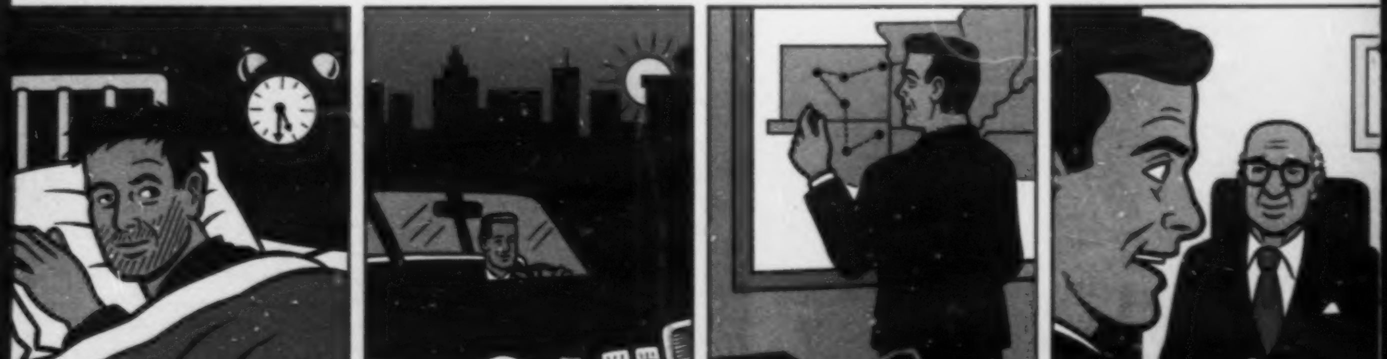
For example, Littlefield explains "greed" in a different way: "I'm very much a family man and I try to give my family as good a life as I can. Making more money helps me to do that."

However, according to many salespeople and sales managers, the chase for dollars slows in time, which helps to explain why many of the younger salespeople seem more materialistic.

"What they really want is a reward," says D.S. Beck, vice president, marketing and sales, Winograd's Steel & Supply, Greely, CO. "The younger ones want money. After that, a salesperson needs a pat on the back."

Recognition and respect are important to these salespeople but not necessarily from their peers or even manage-

By Bill Kelley
Senior editor



ment. After all, many feel that if they are outstanding salespeople, management knows how good they are. Where they do value respect is from the customers, and this too seems to motivate them.

"Customers call on me for help on all kinds of problems," says Nayback. "After a while they come to respect you. They even call on me for ideas, and that's quite a plus."

Littlefield agrees: "Knowing that I've done a good job and getting recognition from the customer are great motivators."

Their need to succeed is usually a basic part of their personality. Whether they are low-key sellers or old-fashioned backslappers, they want to be number one. They are competitive (mostly with themselves) and possibly even a little anxious, qualities that draw many of them to any activity where they can be challenged. Says Dr. Boyatzis, "Many of these people like to participate in sports in which they have a very individualized measure of what they are doing, sports like golf or bowling."

Salesman Davis says simply: "I want it more than the next guy. The way I look at it is, who came in second in the Daytona 500? Who knows and who cares!"

Their competitiveness, however, is usually qualified. Davis, for example, says, "I couldn't care less how anyone else is doing."

As a group, top sellers are not spiteful toward salespeople in their own firm, adds Dr. Boyatzis. They want to be on top as a result of their success, not someone else's failure.

Despite their desire for money and recognition, most top sellers questioned don't like sales contests. They find the rewards inconsequential and the contests irritating.

"I'm not really interested in sales contests," says Davis. "It's birdseed. What do you get? A television? If you're successful, chances are you've already got more than one. Besides, you're in a sales contest every month or whenever they tally up what you sold."

"I don't like them," says Nayback. "I don't want to go out and sell one product when we have 150. Contests get in the way."

Bob Hueneke, a salesman with Hawley Industrial Suppliers, Bridgeport, CT (see box), says that he doesn't like the premise of the contests. "My job is to sell. If there's a contest for selling 100 grinding wheels, why aren't I out there selling those grinding wheels to the customer who had the potential in the beginning? You shouldn't be paid extra to go out and sell because that's your job to begin with."

"You gotta believe." Tug McGraw.

"You have to feel that if you get to see someone, you're going to sell him." Art Schuh.

At the very least, top salespeople have healthy egos. They have to, says Bruce Smith, vice president, sales, Northern Industrial Supply, Inc., Saginaw, MI. "In what other job are people constantly telling you that they don't love you?"

All salespeople hear "no" more often than "yes." The best know how to keep on going. Their confidence in themselves tells them to try again, learn more or figure out a new way.

"Sure you have to have a big ego," admits Schuh. "You've got to have the confidence in yourself." Dr. Boyatzis agrees, saying that confidence is evident in the top sellers in all fields.

Ego also lets salespeople make cold calls, shrug off and learn from rejection and go "on stage" call after call regardless of their chances for success.

Not surprisingly, sales managers also agree that the top salespeople have big egos. "They are on an ego trip," says Al Binder, sales manager, Scallan Supply Co., Cincinnati, OH. "I know. I was one and I was on an ego trip!"

"The great ones have big egos," says John D. McGill, Jr., of Standard Equipment Co., Inc., Mobile, AL, who has been in industrial sales since World War II. "They're great and they know it."

Beck, of Winograd's Steel & Supply, explains why he thinks that a top person has such a strong belief in himself. "He's an egomaniac with an inferiority complex. He's out to prove something. And each and every day he has to prove it

Compensation for superstars

These compensation figures for top salespeople are from a random sampling of distributors in 10 U.S. metropolitan areas. The top figures are impressive enough to lead us to conclude that the rewards for astute, dedicated people in sales are open ended. Several of the distributors polled by *ID* said that they could not give us figures for their top salespeople for fear of causing problems with others on their sales staffs, the reason, we feel, for the $25,000 and $30,000 low-end figures in the table.

Atlanta	$150,000 $100,000 $70,000
Boston	$75,000 $50,000 $45,000
Chicago	$150,000 $75,000 $45,000
Denver	$50,000 $30,000
Jacksonville	$50,000
Los Angeles/ San Francisco	$52,000 $35,000 $30,000
New Orleans	$60,000 $50,000
New York metropolitan area	$65,000 $45,000 $40,000
St. Louis	$60,000 $50,000 $25,000
Seattle/Portland	$60,000 $40,000

Research:
Linda E. Mutnick

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Bob Hueneke

because after the month is over and the sales are in, he has to prove it again."

Some sales managers say that the top sellers are difficult to manage because of their egos. They have to be coddled, understood and given constant reassurance. Says one sales manager, "God, it's like having children!"

Cantone agrees, saying that top sellers tend to be egotistical, selfish and totally concerned with their own success. "They're only open-minded when they think something you can do or say will help make them rich or famous," he says.

They don't always listen well and are not good with details either, some managers say. "They test the system," says Smith. "If call reports are supposed to be in on Monday, they'll hand them in on Friday. If they're supposed to be last name first, they'll be first name first."

While Dr. Boyatzis disagrees that all top salespeople are bad with details, he does say that they will probably only do the work that they believe does them any good.

"What they will not do is a lot of paperwork that they feel doesn't help them achieve their goals," he says.

Some sales managers also feel that top salespeople don't know or care enough about the business end of distribution, that they are out selling and sometimes ignore the company's business procedures.

However, that doesn't change one thing: Sales managers feel that their top people are more than worth the trouble. They not only expect ego problems, but many say that they'd be wary if there weren't any.

"Hell, yeah, they're worth it!" says McGill. "You show me a bunch of salespeople who aren't any trouble to manage, and I'll show you a bunch of salespeople who aren't worth a nickel a sackful." ☐

A day in the life of a sales star

Bob Hueneke might typify a supersalesperson if, indeed, there were such a thing as a typical sales star in industrial distribution. He looks the part, dressed in a conservative three-piece suit, flashy tie, rings on each hand and, of course, a good shine on his shoes. His grey hair is in place, but not too perfect, giving him the overall appearance of someone who's just vain enough to want to look nice. About average in height and perhaps a little too heavy, he calls himself an "older salesman."

Hueneke has been in industrial sales for 25 years with Hawley Industrial Supply, Inc., Bridgeport, CT. He makes "good bucks," he says, and drives a plush 1984 Buick Regal, courtesy of the company, with all the extras: stereo, tape deck, air conditioning —the works.

He's up early most days, but not because he jogs or works out. He likes to leave his house about 6:20 a.m. to see some accounts because he knows that if he arrives early, he'll see the purchasing manager before he gets too busy with his own work. And it also gives him time to make more calls.

"I've been a million dollar salesman for a number of years for Hawley—the top one," he says. "And I'm not trying to sound vain when I say that. But if you work hard, it's there for you, the money is there."

For Hueneke, working hard means more than getting up early. He feels that the key to his success is having the customers' interests at heart and working hard for them. "I'm part of their families. I make myself part of their families. If the purchasing agent thinks that you're working for him, will do anything for him, and you watch out for good prices and the like, then you're going to make out."

Like many experienced salespeople, Hueneke has some strong opinions on selling. He hates, he says, to see someone sell price. "You don't need a salesman to sell price. You want to sell price, put an ad in the newspaper; don't use a salesman."

And he doesn't like the long-lunch approach. "A lot of salespeople try to go out to lunch with customers as often as they can because they'll get themselves a free meal. I don't need that; I can afford the three or four dollars to go to lunch. Besides, it keeps me out of embarrassing entanglements lots of times and doesn't look like I'm trying to buy the business."

We spent a day in the field with Hueneke and found his approach to selling smooth and uncomplicated. He is aggressive, but only to a point. He is a low-keyed operator—a good listener with an interest in what buyers have to say. He probes without being pushy and approaches each customer as a friend.

Once he joked with a buyer before he got involved in a technical discussion on a grinding wheel problem. He offered to have an answer that afternoon and the customer was satisfied.

On the next call he took inventory of the shop. So confident and trustful was the customer that he let Hueneke fill out the order and he signed it. Honesty, Hueneke said later, pays off.

Although he is relatively free of gimmicks—and perhaps only a trunk full of briefcases and ever-present breath mints give an indication that he's in sales—there's still some old-time salesman in him.

"I was told when I first started selling not to change my Boston accent," he says. "Because if they can't remember my name, they'll at least remember Mr. Boston." He still has the accent.

"Don't get me wrong," he says, trying to explain his success. "Don't think for a minute that I don't want to play golf on the nice days.

"But a lot of guys want the big bucks and want them easy. They want to play golf two, three times a week in the summertime. Gee, I'd love to but, you know, you gotta go out there and work for it. You gotta go get it."

On one call he talked to a customer about business at the plant. Afterward the two shook hands and Hueneke got ready to leave. The customer said, "Can I do anything for you?"

"Yeah," he answered smiling, "send orders."

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How to sell safety equipment and supplies

High technology, stiffening Federal and local safety regulations, union pressures and zooming insurance costs are opening more sales opportunities for distributors of safety equipment.

Distributors handling fire and safety equipment, both as part of a general line and as a specialty, are finding that 1985 sales are continuing the brisk pace of 1984.

As a result of the continuing stimulus provided by OSHA, new areas of opportunity represented by the high technology sector, and the toxic wastes "Superfund," distributors are consolidating the sales gains they made in 1984 and are looking forward to solid gains in 1985.

The Safety Equipment Distributors Assn. (SEDA) says that business among its members nationally is averaging an 8-9% increase over 1984, although noting that of this increase, 4 or 5% is accounted for by inflation leaving a fairly modest 3-4% representing real growth.

High technology is affecting the safety equipment field in two ways. First, the new diversified base of high technology companies is providing a totally new market for safety equipment. And secondly, the increasingly widespread use of such high tech products as lasers, robotics, and computers by the conventional smokestack industries requires new approaches to protecting both personnel and equipment.

What they're saying

An informal survey of SEDA members elicited the following regarding product areas they consider the most promising for 1985:

- Our company is going to sell a lot of safety products for asbestos ripouts. The lines that will see the most action are coveralls and respirators . . .
- Because of the big asbestos scare, we will be busy supplying contractors with respirators and coveralls. Some workers will be using two coveralls a day and that's going to mean a lot of business for us. . .
- I don't think this is a regional thing. The whole country is going to be busy with asbestos ripouts for the next ten years probably. . .
- It has to be eye protection. We expect to see a tremendous amount of growth with this product in the next few years. . .
- Respiratory products will definitely be a big growth area for us. That industrial commission ruling on asbestos removal gave many safety equipment distributors a shot in the arm. . .
- If the removal and re-construction contracts on asbestos remain at this level, we'll be busy for a while. We'll be selling cartridges, disposable units and direct air respiratory supplies, for the most part. This respiratory safety issue will bring us much more business than eye protection or gloves. . .
- We see a big market in chemical waste management, nuclear industry and high technology with industrial clothing. . .
- We're forecasting our customers' need for special chemical protection ranging from disposable garments to encapsulated suits. . .
- In the high tech area we think we'll be providing a lot in the way of cleanroom clothing. For instance, I think we'll be selling to a great number of Class 100 clean rooms. . .
- For the nuclear industry, we'll be selling the gamut of protection goods, especially disposable garments.

High tech

Distributors note that the growth of the new high tech companies should assure a more predictable flow of business than in the past.

"We won't sell the tremendous volume of safety equipment that we used to sell during our boom periods, but neither will we experience the substantial decreases in sales that characterize the bust periods. Our business will be steadier and thus easier to plan and inventory," says SEDA president Richard H. Rice, head of Rice Safety Equipment Co., Seattle.

"It was easy to get volume in 1981 because we had all of the blue-collar type industries but now many of them are gone," stresses Rice. "Even in the auto industry where we hear how good business is, they've laid off 300,000-400,000 workers that we used to service and they've never been re-hired."

SEDA points out that the nature of its business is changing subtly as a result of the new high tech requirements.

It contrasts the necessity of protecting workers from the environment—common in the heavy industries such as foundries and steel mills—with protecting the environment from the workers such as is necessary in the electronic industry "clean" rooms where a speck of lint or a human hair can damage a microcircuit or a computer chip under manufacture.

As a result lint-free, anti-static, disposable clothing, is a rapidly growing market.

According to Frank E. Wilcher, Jr., president of the Industrial Safety Assn., an organization comprising safety equipment manufacturers, much of the impetus for increased sales comes from the technical improvements and innovations in the equipment. He points out that although instrumentation to detect, measure and analyze atmosphere seems to be in the forefront of safety product technology, all equipment is being constantly improved.

As examples he cites metal hard hats that have been replaced by stronger, lighter plastics and polymers, and respirators and gas masks that provide protection against an increasingly wide spectrum of air-borne contaminants including radioactivity.

One major safety equipment distributor says zero-inventory or just-in-time is also helping to smooth out the distributor's business with increasing use made of systems buying by his customers which assures a continuing relationship.

One side effect of just-in-time buying is that customers tend to reduce the number of their vendors. One company went from 200 to just 14 vendors assuring the chosen few an inside track as long as deliveries were on time and service was acceptable.

Segmenting the market

According to figures provided by SEDA, the three top categories of safety equipment handled by its members in terms of dollar volume are wearing apparel including gloves, respiratory products, and eye protection.

The following is the complete breakdown by product category for the year 1984. Figures given are percentages of total sales.

Wearing apparel	19.1%
Respiratory products	18.5%
Eye protection	13.2%
Hearing protection	7.1%
First aid	6.1%
Head protection	5.6%
Foot protection	5.0%
Gas analysis instruments	4.6%
Safety belts/nets	3.1%
Miscellaneous: signals, ladders, eyewash, cans, etc.	17.8%

How OSHA can help you sell

OSHA has prepared a *Handbook for Small Business* containing a business safety checklist that directly relates to the selling of fire and safety equipment.

You might want to reproduce the list below or obtain the publication (OSHA 2209) to distribute to your current and potential customers.

Among the questions asked by OSHA are the following:

- Are all exits marked with a readily visible sign that is properly illuminated?
- Are portable fire extinguishers provided in adequate number and type?
- Are fire extinguishers recharged regularly and properly noted on the inspection tag?
- Are NO SMOKING signs prominently posted in areas containing combustibles and flammables?
- Are covered metal waste cans used for oily and paint soaked waste?
- Are waste receptacles provided?
- Are approved safety cans or other acceptable containers used for handling and dispensing flammable liquids?
- Are your first aid supplies adequate for the type of potential injuries in your workplace?
- Are there quick water flush facilities available where employees are exposed to corrosive materials?
- Are hard hats provided and worn where any danger of falling objects exists?
- Are protective goggles or glasses provided and worn where there is any danger of flying particles or splashing of corrosive materials?
- Are protective gloves, aprons, shields or other means provided for protection from sharp, hot or corrosive materials?
- Are approved respirators provided for regular or emergency use where needed?
- Is protection against the effects of occupational noise exposure provided?

Product Knowledge the Key

All experts agree that there are just three keys to marketing safety equipment: *product knowledge, product knowledge* and *product knowledge.*

In the selling of safety supplies, the term value-added is given new meaning as the customer increasingly is forced to rely upon the expertise of the distributor in recommending the appropriate and legally required equipment for each application.

Under current product liability laws, failure by the distributor to specify the proper equipment or selling faulty equipment can make him a party to litigation in the event of injury or death resulting from its use. Although the proposed *Federal Uniform Product Liability Law* would exempt distributors from suits involving faulty or defective equipment, specifying the wrong safety devices can still place him in legal jeopardy.

On the positive side, the increasing sophistication and complexity of manufacturing processes and procedures—particularly among the high tech industries—and the growing awareness of the hazards of such substances as PCB's, asbestos and certain chemical wastes, has created a strong demand for distributors with the expertise to recommend, supply and service the appropriate equipment.

One distributor pointed out that as regulations become more stringent and distributors' knowledge of workplace hazards grow, occupational safety and health professionals are increasingly turning for advice to well-informed dealers who sell reputable products.

Merchandising

The suppliers of safety equipment assist the distributor in honing his product knowledge through techniques as diverse as the production of product familiarization videotapes, the publication of train-

What they're selling

Although inventory requirements of safety equipment dealers vary according to location, customer mix and type of competition, the following represents a typical cross-section of safety equipment carried by a specialist:

Head Protection
Protective caps
Cap liners
Stocking caps
Ear bands

Face Protection
Face shields
Face windows
Welding helmets

Eye Protection
Safety glasses
Safety goggles
Visitor spectacles
Emergency eye wash stations

Hearing Protection
Ear plugs
Ear muffs

Instruments
Gas detection
Oxygen detection
Location alarms

Respiratory protection
Self-contained breathing apparatus
Dust and mist respirators
Fume respirators

Hand protection
Welders gloves
Leather palm gloves
Rubberized gloves
Heat resistant gloves
Acid/corrosive resistant gloves
Clean room gloves

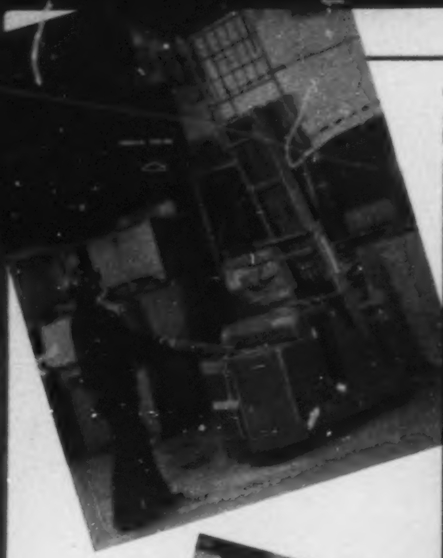
Protective Clothing
Aprons
Coats
Chaps
Hoods
Pants
Weather Suits
Coveralls
Lab Coats
Disposable garments
Hairnets
Beard protectors

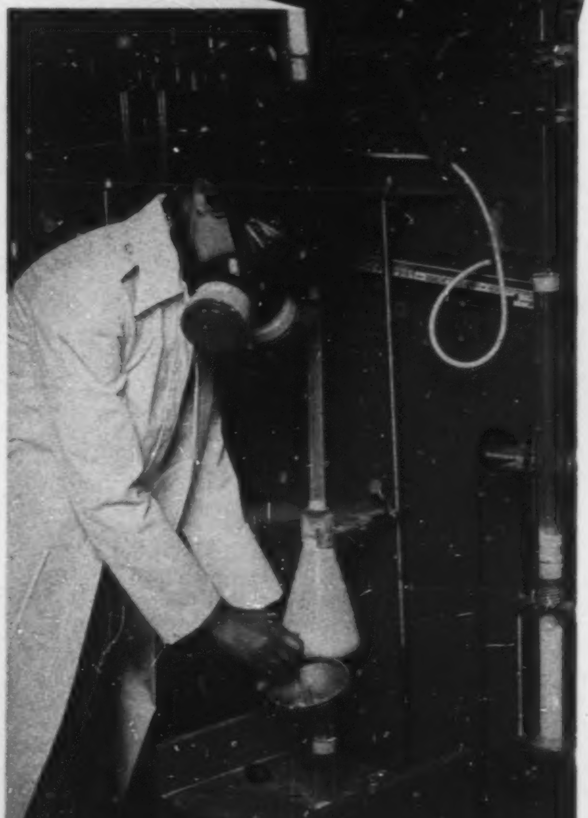
Foot Protection
Waterproof buckle boots
Waterproof over-the-shoe boots
Foot guards

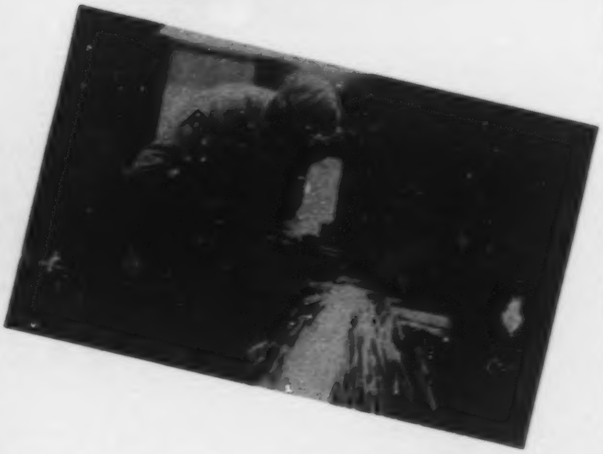
First aid equipment

Rescue devices and fall protection
Stretchers
Rope grab safety devices
Escape ladders
Safety harnesses
Safety belts
Safety lines

Miscellaneous equipment
Traffic and safety mirrors
Emergency lighting systems
Emergency exit lights
Vehicle emergency lights
Vehicle back-up alarms
Safety cones
Safety cans
Waste cans
Storage cabinets
Nonsparking tools
Wheel chocks







Troubleshoot and sell—Keep an eye on pipe bends and joints . . . pressurized lines . . . flammables . . . acids/corrosives . . . storage . . . noise levels . . . poisons . . . moving machine elements . . . moving vehicles . . . air quality . . . welding/cutting/forming operations . . . floor quality . . . excessive temperatures . . . supports/suspensions

Look for: excessive wear . . . leaks . . . open arcs . . . overloads . . . bare wiring . . . flying chips/sparks . . . oily/cracked floors . . . unguarded moving parts . . . excessive noise . . . overheating . . . corrosion . . . polluted air . . . broken containers . . . open skin/eye irritants . . . carcinogens . . . poor mechanical joints . . . missing signs/guides/rails . . . dangerous overhead storage/loads

How to sell . . .

PROMOTIONAL AIDS FOR DISTRIBUTORS

	FULL-LINE CATALOGS	CATALOG INSERTS	UPDATED PRICE LISTS	DIRECT MAIL/STUFFERS	CO-OP ADVERTISING	AD MATS/REPRO PROOFS	NEWSLETTERS	SALES TRAINING	DISPLAY RACKS	SAMPLES	SIGNS/POSTERS	NOVELTIES/GIVEAWAYS	AUDIO-VISUAL	PRODUCT TRAINING	MARKET RESEARCH	TECHNICAL SUPPORT	TRADE SHOW EXHIBITS
[illegible]	●	●	●				●	●		●	●		●	●	●	●	●
Bata Shoe Co., Rt. 40, Belcamp, MD 21017	●	●	●	●	●			●	●	●	●	●		●	●	●	●
[illegible]	●		●	●												●	●
Best Mfg. Corp., Edison St., Menlo, GA 30731	●	●	●	●				●		●				●		●	●
[illegible]	●			●	●			●		●	●		●	●	●	●	
Dual-Lite Inc., P.O. Box 468, Newtown, CT 06470	●	●	●	●	●			●	●	●	●	●		●		●	●
[illegible]	●	●	●	●			●	●		●			●	●		●	●
Eagle Mfg. Co., 24th & Charles Sts., Wellsburg, VA 26070	●	●	●	●		●	●	●		●	●	●		●	●	●	●
[illegible]	●	●	●			●		●		●		●		●	●	●	●
Jomac Products, 863 Easton Rd., Warrington, PA 18976	●		●			●	●	●		●				●		●	
[illegible]	●	●	●				●	●			●		●	●		●	
Kappler Inc., P.O. Box 218, Guntersville, AL 35976	●	●	●	●				●		●	●			●	●	●	
[illegible]	●	●	●	●				●	●		●	●	●	●		●	●
Pioneer Industrial, 512 E. Tiffin St., Willard, OH 44890	●	●	●	●		●	●	●		●				●	●	●	●
[illegible]	●	●	●	●				●		●	●			●		●	●
SBS Co., P.O. Box 1387, Saginaw, MI 48605	●		●	●				●		●			●	●	●	●	
[illegible]	●	●	●	●	●	●		●	●	●	●	●	●	●		●	●
Stonehouse Signs, Inc., P.O. Box 546, Arvada, CO 80001	●	●	●														

ing manuals, slide/tape presentations, newsletters and bulletins.

For most manufacturers, however, the heart of their product information effort remains the low-tech catalog.

According to sales communications experts, catalogs can still be the distributor's most successful day-to-day salesman.

For one thing, they point out, even your best customers may not be familiar with your total product line. For another, catalogs encourage orders from customers who are wary of person-to-person sales presentations but will respond to a printed description.

And finally, they say that mailing a catalog is significantly more cost effective than sending out a salesperson to personally call on a customer.

According to distribution communications consultant, Martin Manaly, the timing of a catalog mailing can be critical. The months of July and December are relatively unproductive while February, March and September are the most productive.

Another key to the successful use of catalogs is to carefully research the mailing list. Experts recommend involving salespeople in a plan for identifying key contacts within a company. On the other hand, avoid purchasing departments or company buyers. Buyers don't use the equipment, they merely shop for it. Find out who the order originates with and put them on your mailing list.

Because catalogs represent such an important component of the safety equipment selling effort, SEDA offers a cooperative catalog plan that permits distributors to obtain a customized catalog containing their product lines with manufacturers of the equipment assuming the bulk of the costs.

SEDA says the catalog program is consistently rated by members as the single most valuable benefit they receive from the Association.

Fire equipment: a hot business

According to the National Fire Protection Assn., there were more than 2 million reported fires in 1983 (the last year for which data is complete) which accounted for $6.5 billion in loss or damage.

Because in many respects, the distribution of fire protection equipment is a science unto itself, in 1963 the National Assn. of Fire Equipment Distributors (NAFED) was founded.

In the 22 years of its existence, NAFED has become one of the leading forces in the promulgation of standards relating to firefighting devices.

The latest categories of equipment to require special attention are computer installations, robotics and sophisticated medical devices such as the million dollar computerized axial tomographic (CAT) scanner used by hospitals to diagnose patients.

As with the rest of the safety equipment field, the marketing of fire protection is as much a matter of the distributor having the right device as it is convincing the customer of his need. In most cases, fire protection is mandated by OSHA, insurance or other governmental regulations.

The "hottest" item in the fire equipment distributor's arsenal is still the fire extinguisher and NAFED estimates that portable extinguishers were successful in putting out fully 94% of all reported cases of industrial fires last year.

While distributors report that water type extinguishers are still available, they are being deposed by the more versatile dry chemical, and halon types that provide protection against "A", "B", and "C" fires.

In addition to the standard items such as smoke detectors, alarm systems, pails, hoses, axes and ladders, NAFED points out that first aid kits provide an often overlooked opportunity for the distributor to increase his sales.

Noting that under OSHA regulations an employer is required to keep a fully stocked medicine cabinet, NAFED says that servicing and restocking of kits can be a lucrative source of business for the distributor.

With clear economic skies extending into the near future based upon new products, new industries and a heightened national safety consciousness, distributors may expect to see modest but steady gains in the next few years. And as Richard Rice put it: "By enlightening companies we can create our own market." **—Doug Harper**

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Industrial Distribution

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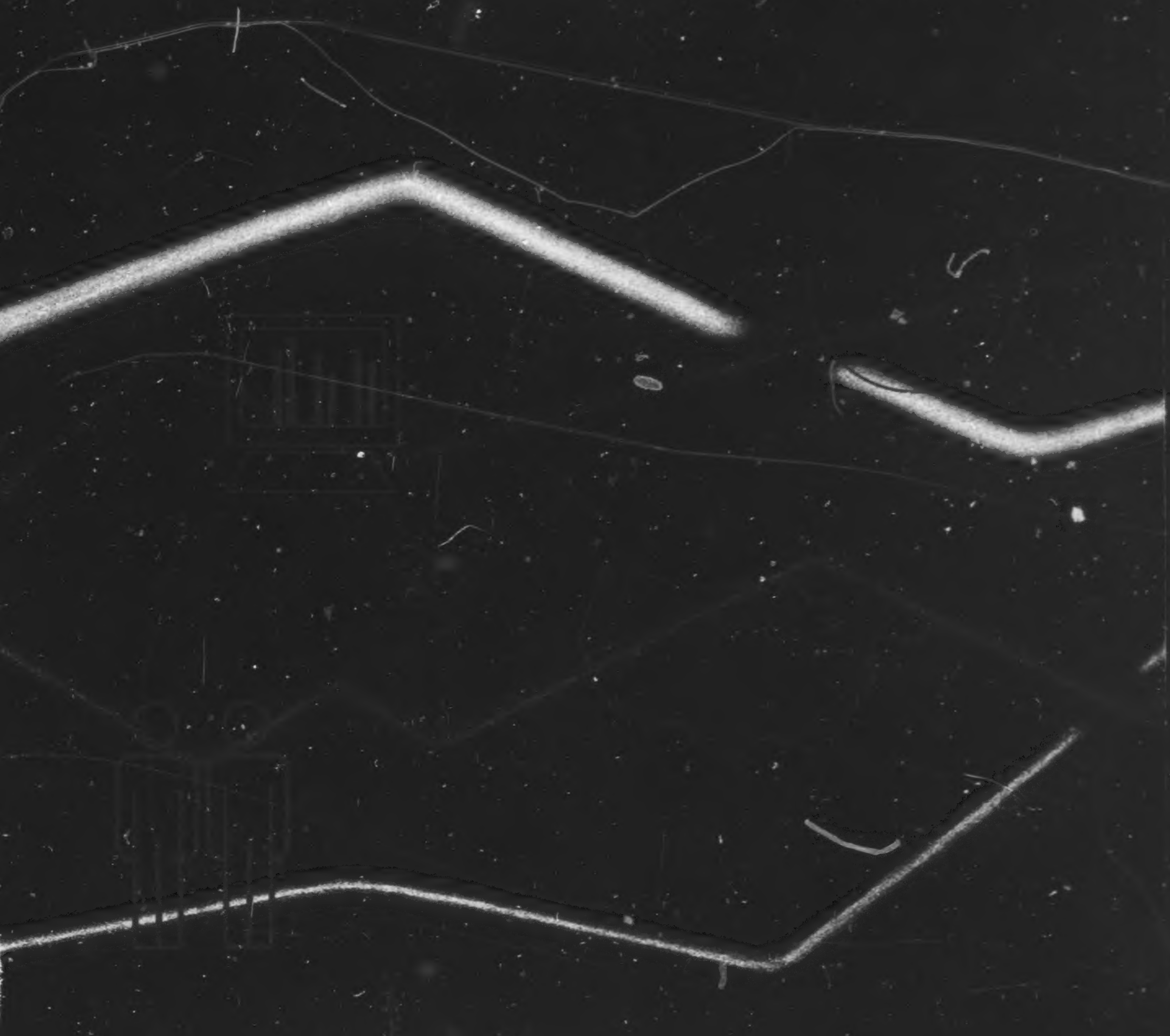
July 1985

Hotline:
White House tax proposal seen meeting distributors' objections



39th Annual Survey of Distributor Operations

ID Industrial Distribution

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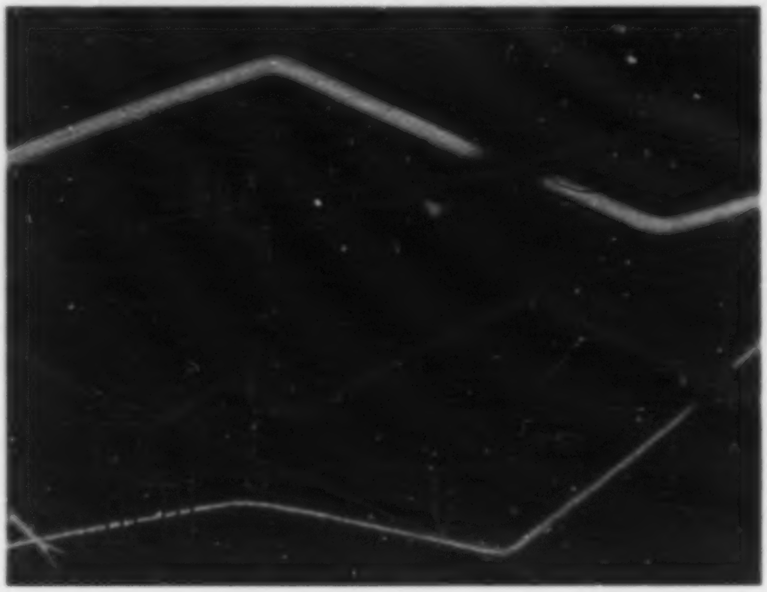

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Cover illustration: Mark Caparosa

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INDUSTRY NEWS

Just-in-time inventory not living up to its potential, says APICS economist

FALLS CHURCH, VA—If the famous "Just in time," *Kanban* or zero-inventory concept were diligently applied to U.S. manufacturing, inventory stock requirements could be reduced by nearly two-thirds, says the American Production & Inventory Control Society (APICS).

In fact, points out APICS consulting economist, Dr. Michael K. Evans, using just-in-time techniques, current levels of inventory could be reduced from $285 billion to under $100 billion. Limiting inventory reduction to the metals/machinery/transportation equipment sector alone would still make it possible to reduce stocks from $140 billion today to about $50 billion, says Evans.

The resulting savings would lower the cost of our finished products by 30–40% and free billions of dollars for capital investment in the modernization and expansion of manufacturing facilities.

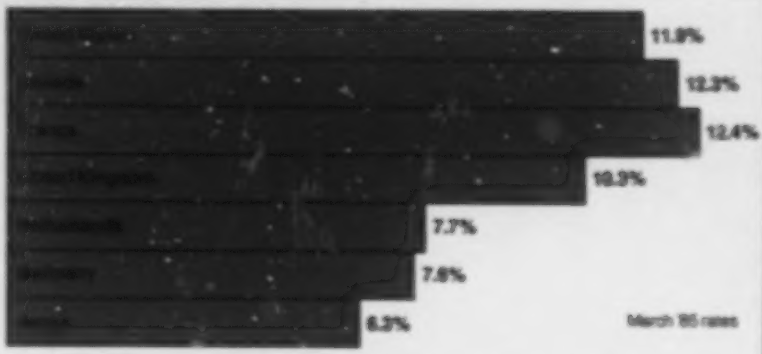
For the distributor, the just-in-time revolution would, theoretically at least, provide more systems contracts and an expanded customer base as domestic companies, able to compete internationally once more, increase production.

Unfortunately, says Evans, just-in-time in the U.S. has produced more talk than action. He notes, for example, that since 1983 the inventory/sales ratio in the manufacturing sector has declined only slightly from 1.65 to about 1.50 today despite a small short term dip to 1.41.

Furthermore, Evans notes that even the illusion of inventory reduction is more logically explained by increased *real* interest rates. Historically the I/S ratio has dropped by about .02% for each percentage point increase in the *real* rate of interest which is currently hovering around 6% compared to the traditional average of 2%.

Evans also points out that just-in-time inventory techniques do not come cheaply. He estimates that to achieve a radical transformation of inventory practices throughout the manufacturing sector would require a total cash outlay on the magnitude of $500 billion on capital expenditures.

Measured in *constant* 1972 dollars, APICS' consultant notes that investment in industrial equipment actually dropped from $47.2 billion in 1981 to $41.9 billion in 1984. Similarly, industrial plant investment fell from $18.8 billion in 1981 to $14.2 billion in 1984, in constant dollars.



High interest rates paid by U.S. long-term corporate bonds compared to those of Japan and other industrialized nations inhibit investment in U.S. capital expenditures.

"We see little improvement in these expenditures in 1985 for several good reasons," says Evans. "Capacity utilization in the manufacturing sector has declined to around 80%, an exceptionally low level for the third year of recovery.

"Even more important," Evans stresses, "is the cost of capital which is far too high, particularly compared to Germany and Japan. (see chart.)

"Thus the cost of modernization in this country is twice that of Japan. Even if U.S. industry were to shoulder the expense of switching production methods to take advantage of just-in-time technology, the capital costs would be far higher than in most other countries," Evans concludes.

Paints and coatings make strong comeback says new report

COMMACK, NY—Fueled by a vigorous rebound in most of its end-use markets, the U.S. paints and coatings industry has emerged from one of the darkest sales periods in its history, posting record high growth rates in virtually every product segment, says a new report from Business Trend Analysts.

According to the 245 page *The Paints and Coatings Industry*, the industry recorded double-digit growth in each of the last two years: 11.2% in 1983 and 12% in 1984 with annual sales reaching $10.8 billion.

And the report predicts that U.S. manufacturers' sales should increase at an annual rate of 6% over the next 10 years reaching $17.1 billion by 1993.

The study notes that architectural coatings comprise nearly 40% of industry sales. A slowdown in growth is forecast for this segment resulting from increasing use of unpainted materials for house and wall coverings including aluminum and PVC exterior siding.

In addition, the report points out that the reduction in the average dimensions of new private construction is resulting in less paint being required for these applications.

The report, priced at $595, is available from: Business Trend Analysts, 2171 Jericho Turnpike, Commack, NY 11725. ☐

Donald H. Cunningham named president by Hanson-Whitney Co.

HARTFORD, CT—The Hanson-Whitney Co., a manufacturer of rotary metal cutting tools for industry, named Donald H. Cunningham president recently.

Cunningham joined Hanson-Whitney in 1975 as controller and assistant secretary. He formerly served with the accounting firm of Coopers and Lybrand.

In 1976 he was promoted to the position of secretary-treasurer becoming vice president in 1980 as well as a director of the company.

At the same time, Hanson-Whitney announced the promotion of Robert F. Prindiville to the post of executive vice president. He had been serving the firm as vice president, sales. ☐

INDUSTRY NEWS...

Slow payment and business failures vex credit execs

New York—Ninety-four percent of the nation's business credit executives said that slow-paying customers are a problem while 89% cited customer failures as a problem, according to a recent survey of its members by the National Assn. of Credit Management (NACM).

According to the organization which comprises 45,000 business credit executives located throughout the country, members mentioned slow-paying customers as a *severe* problem most frequently (8%) while inadequate cash flow and unauthorized discounts, deductions and chargebacks were the second most frequently mentioned *severe* problems, each being named by 7% of respondents.

NACM defined their current (April '85) problems as follows:

	Severe	Moderate	Mild	No Problem
Falling sales	5%	26%	26%	43%
Customer failures	2	37	47	14
Excessive inventories	3	17	39	41
Inadequate sources of Supply	1	6	18	75
Slow-Paying customers	8	57	29	6
Interest rates	2	35	44	19
Need for automated Records	5	16	25	54
Availability of trained personnel	3	18	33	46
Inadequate cash flow	7	34	31	28
Unauthorized discounts/ Deductions/chargebacks	7	24	45	26

Trade expert says "We're shooting ourselves in the foot"

New York—America is "shooting itself in the foot" by ignoring many of the 48 specific recommendations of the President's Export Council, said Howard G. Sloane at a recent Annual World Trade Week reception held here on May 23.

Sloane

Sloane, a member of the executive committee of the President's Export Council and chairman of the 1985 World Trade Week Committee of the New York-New Jersey Port Area, said that of the 48 recommendations of the Export Council, at least five dealt specifically with export financing.

"The problem," said Sloane, "is that Congress has consistently reduced the lending capacity of the EximBank, rather than logically increasing it to meet the needs of exporters.

"How can we compete on an equal basis," asked Sloane, "when all our major trading partners provide preferential financing for their exports?"

Sloane emphasized that industrial distributors have a large stake in the trade deficit. "Not only are they losing domestic business to companies squeezed out by foreign competitors, but through their taxes and other means, they will ultimately have to help reduce the deficit itself." ◻

Telemecanique creates Marketing, Sales and Distribution Division

Westminster, MD—Telemecanique Inc., a manufacturer of industrial controls sold through a network of 535 distributors, announced the establishment of a new division.

Indicators . . .

Evidence of renewed vigor in the industrial sector was presented this month as all three key indices rose simultaneously for the first time in 14 months. The NIDA/SIDA *Industrial Distribution Index* rose 6.7 points nationally in April to reach 139.3. Significantly, strength was shown in all four regions with the West showing the greatest increase, moving ahead by 9.3 points over March. The April '85 figure is 4.7 points higher than the NIDA/SIDA April '84 level . . . SIDA's *Monthly Sales Trend Report* for March increased in every region from the February levels to score a 6.54 point national gain. SIDA Area 2 comprising FL, GA, SC, and Puerto Rico was the big winner with a 3.26 jump over the previous month while Region 3 taking in AL, KY, MS, and TN showed the smallest growth, advancing 1.55 points . . . Not to be outdone by the other two-thirds of the troika, ASMMA's *New Order Index* for March rose to 118.4 points, up two points from February. While by no means a record, the figure is higher than any levels attained in 1982 or 1983 . . . According to the American Machine Tool Distributors' Assn. (AMTDA), its *Distributor New Orders* increased an impressive 27.5% in March from the previous month to close at 75.2. The current figure is an infinitesimal .3% off from the March '84 level . . . the National Assn. of Aluminum Distributors (NAAD) *Quick Pulse Aluminum Service Center Index* of shipments for March indicates a 2.8 point increase over February to 116.8%. This compares with 118.4 points in March '84 . . . NWSA (National Welding Supply Assn.) reports a "great leap forward" in March to 199.7 points, a 15.8 point improvement over February and 21.9 points over March '84. The new figure is the highest level recorded and, says NWSA, "sets a new record for the industry." . . . The National Wholesale Hardware Assn. (NWHA) *Hardware Sales Index* made it unanimous this month by increasing 7.1 points in March to 118.9. Regionally, the Northeast lost 6.4 points.

REGIONAL REPORT

April sales advance

After two straight months of decline, sales advanced 9% in April compared to April '84, and six percentage points higher than March's statistics.

Led by West North Central and Pacific regions, up 17% and 14% respectively, national reporting figures were all plus (combined statistics of both general liners and specialists) with no negatives indicated in regions or areas. Outside of the above two regions, however, all combined figures for other regions were in single digits.

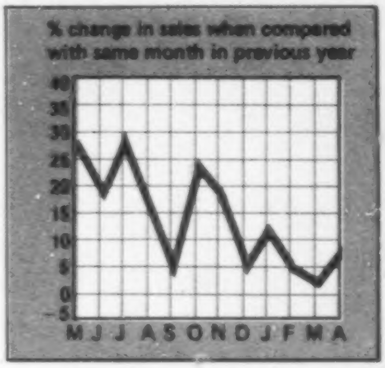
Month-to-month reporting, a more immediate indication of economic trends, barely managed a 0 or even figure for the country, with many negatives appearing in the list. The strongest region was Pacific, up 11%; the strongest area, Oregon-Washington, up 15%. The weakest region was Middle Atlantic, down 7%; the weakest area, Pennsylvania, down 14%. In comparison, month-to-month statistics for the U.S. in March were up 8%.

Cumulative reporting began to slip in April with the first four months of '85 showing only a 6% gain over the like period in '84. West South Central was the only region in the negative column, down 2%, but other regions and areas were also weak. The best regional 4-month gain was East North Central, up 11%; in areas, Ohio was strongest, up 16%.

Receivables stayed about even in April at 41 days each for general liners and specialists. Middle Atlantic had the highest figures; South Atlantic the lowest. ☐

RECEIVABLES*	April '85		vs. April '84	
	Gen.	Spec.	Gen.	Spec.
New England	45	46	45	45
Middle Atlantic	47	46	40	46
South Atlantic	35	38	36	36
East North Central	39	38	40	43
East South Central	39	—	36	—
West North Central	—	39	—	39
West South Central	—	40	—	41
Mountain	—	—	—	—
Pacific	40	42	43	43
National	41	41	40	42

*Average days outstanding



Sales gains ground in April . . .

SALES BY REGIONS (% change)	April '85 vs March '85			April '85 vs. April 84'			First 4 months '85 vs. First 4 months '84		
	Gen.	Spec.	Both	Gen.	Spec.	Both	Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−1	−1	−1	+7	+9	+8	+5	+11	+8
Connecticut	−6	—	—	+9	—	—	+4	—	—
Massachusetts	+1	—	—	+13	—	—	+7	—	—
MIDDLE ATLANTIC: NY, NJ, PA	−8	−7	−7	+7	+2	+4	+8	+4	+6
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	—	—	—	—	—	—	—	—
Pennsylvania	−20	−9	−14	+6	+9	+8	+14	+9	+11
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC SC, VA, WV	−1	−6	−4	+5	+2	+4	+5	+3	+4
Georgia - Florida	+2	−6	−3	+24	−1	+9	+19	+3	+9
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+1	−7	−3	+8	+21	+14	+7	+16	+11
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	—	−9	—	—	+18	—	—	+13	—
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−3	—	—	+6	—	—	+9	—	—
Ohio	0	−7	−4	+17	+25	+21	+10	+21	+16
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	−1	—	—	+4	—	—	+3	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	−5	+16	+8	+5	+24	+17	+4	+6	+6
WEST SOUTH CENTRAL: AK, LA, OK, TX	+3	+5	+4	+1	−2	0	0	−3	−2
Texas	—	−9	—	—	−6	—	—	−3	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	−13	—	—	+4	—	—	+5	—	—
PACIFIC: CA, OR, WA	+11	+11	+11	+13	+16	+14	+14	−4	+10
L.A.-San Diego	—	—	—	—	—	—	—	—	—
Oregon-Washington	+14	+16	+15	+28	+18	+23	+21	−6	+7
U.S. TOTALS	+1	−3	0	+9	+11	+9	+6	+7	+6

39th Annual Survey of Distributor Operations

'84 sales show sharp gains; profits up

In just about every category, statistics for 1984 compared to 1983 are outstanding. The resumption of sales growth in overall statistics for the entire industrial distribution industry provides welcome relief from two straight years of declining sales and substantial business losses.

In what was a robust year for distributors, sales volume for the industry broke the slide of the past two years and recovered smartly, rising from $42 billion to $47.4 billion, a gain of 12.9% which exceeds the 10.7% gain in the Federal Reserve Board's *Index of Industrial Production* (see graphs).

While 1984 gross profits appear flat when compared to 1983, the net profit both before taxes and after taxes for general liners and specialists are up significantly. The tightening up of business operations during and following the 1982-83 recession has undoubtedly played a major role in the profit picture, increasing productivity while reducing expenses. (See graphs and figures under Operating Costs.)

The low-inflation factor

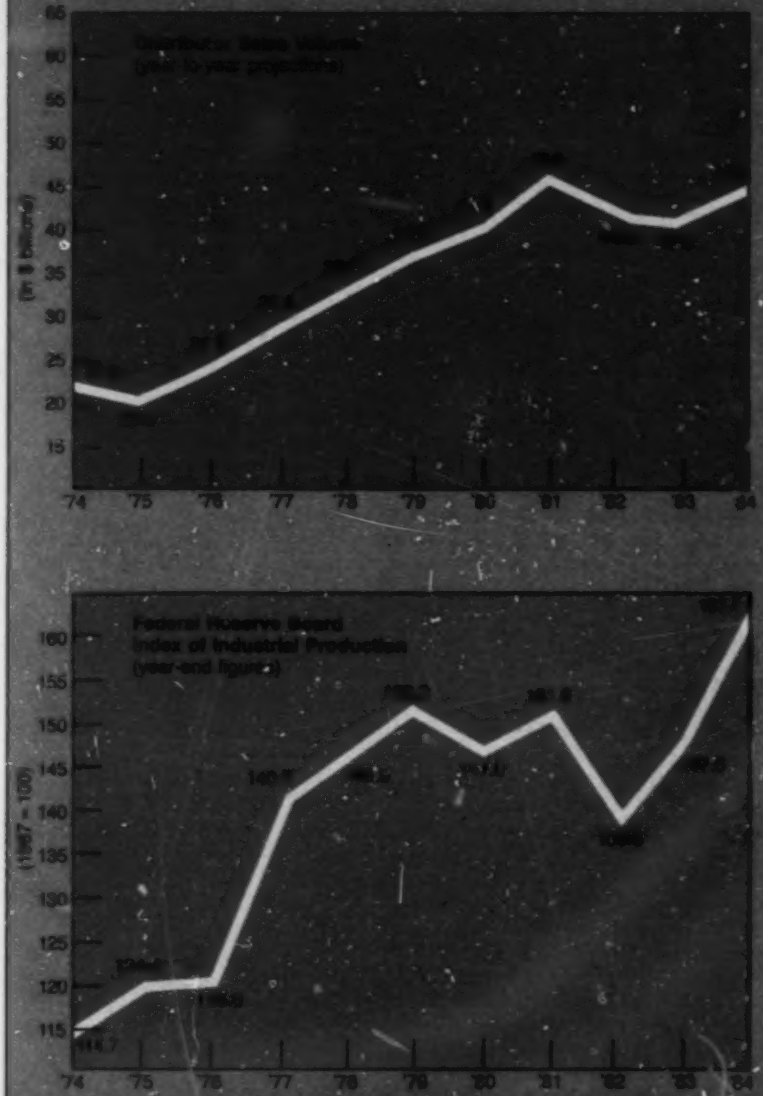
Because inflation was low throughout 1984—a phenomenal occurence during a period of business expansion—labor costs as well as the costs of suppliers' goods were not the dominant, all-consuming subjects for distributors as they have been in the past. This enabled distributors to concentrate their time and energy on other aspects of their operations such as taking on added new product lines, new or increased product specialization, and further business expansion through opening new branches or in some instances, acquisitions.

Another area getting special attention was data processing, with over two-thirds of all distributors surveyed now claiming to be computerized, that is, presently utilizing their own computer system in-house. This is further corroborated by the high percentages of what used to be manual tasks now given over to a computer application. (See graphs and figures under Computer Usage.)

Acquisition activity to continue

According to *ID's* survey, approximately 35% of general liners and 27% of specialists were approached with an acquisition offer in 1984; some 29% general

Industrial Distributor Sales Trends

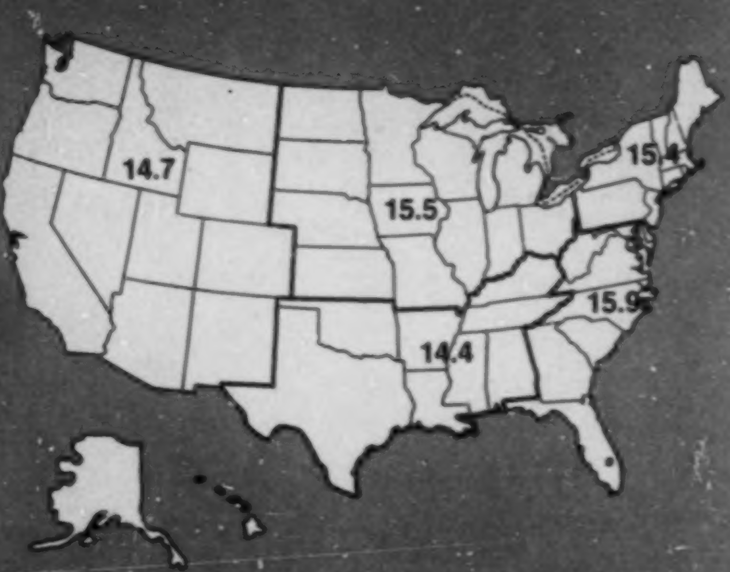


The year at a glance

Gross profit: general line up, specialists even
Before-tax net: general line up, specialists up
Operating costs: general line down, specialists down
Return on investment: general line up, specialists up

'85 Forecasts

Sales Forecasts for '85



Price Forecasts for '85

liners and 25% specialists state they would welcome an acquisition offer at present; and approximately 16% of the general liners queried and 14% of the specialists are actively seeking the acquisition of another industrial distributor. With these high percentages, acquisition activity is almost sure to continue in the industry, if not accelerate.

A major reason for the activity has been and still is the substantially high interest loan rates relative to economic growth (GNP) and inflation. Rather than expand, take on new lines and stock and sell new inventory to increase the range of customers (costly and risky propositions), a strategic acquisition allows all three to take place simultaneously. An acquisition can instantly bring in new customers, expand territory, and increase product lines.

Forecast: sunny!

Distributor forecasts from all regions of the country predict double digit increases for '85 sales. The highest prediction of 15.9% comes from the South Atlantic region; the smallest gain, 14.4% from the Southern region.

Price forecasts indicate a belief in a modest rise in inflation, with prices increasing to a high of 5.8% in the Midwest region, to a low of 5.4% in the Northeast region.

Distributor optimism for the remainder of this year on into next year can be measured in two very important areas: plans to increase warehouse space, and hiring new outside salesmen.

Approximately 25% of both general line and specialist distributors plan on increasing warehouse space in 1985.

Both general liners and specialists plan on increasng outside salesmen in '85 over the number employed in '84. (See Personnel Statistics for details.)

Medians and averages

All percentages used in this survey are medians, unless otherwise specified.

The median number is the number which is larger than or equal to half of the other numbers, and equal to or smaller than the other half. For example: in series 4, 4, 5, 7, 10, the median is 5. The average of this series is 6, computed by totaling the five numbers (30) and dividing by the number of numbers (30÷5).
The median number, then, is more representative of a group being surveyed because it will not be distorted by either extreme: very large or very small numbers.

Profit and Loss

Gross profit was effectively flat in '84, increasing a minute 1.9% for general liners and decreasing 0.7% for specialists.

Net profit before tax, however, was quite healthy, increasing 24.1% for general liners and 38.7% for specialists; net profit after tax was up 47% and 50%, respectively.

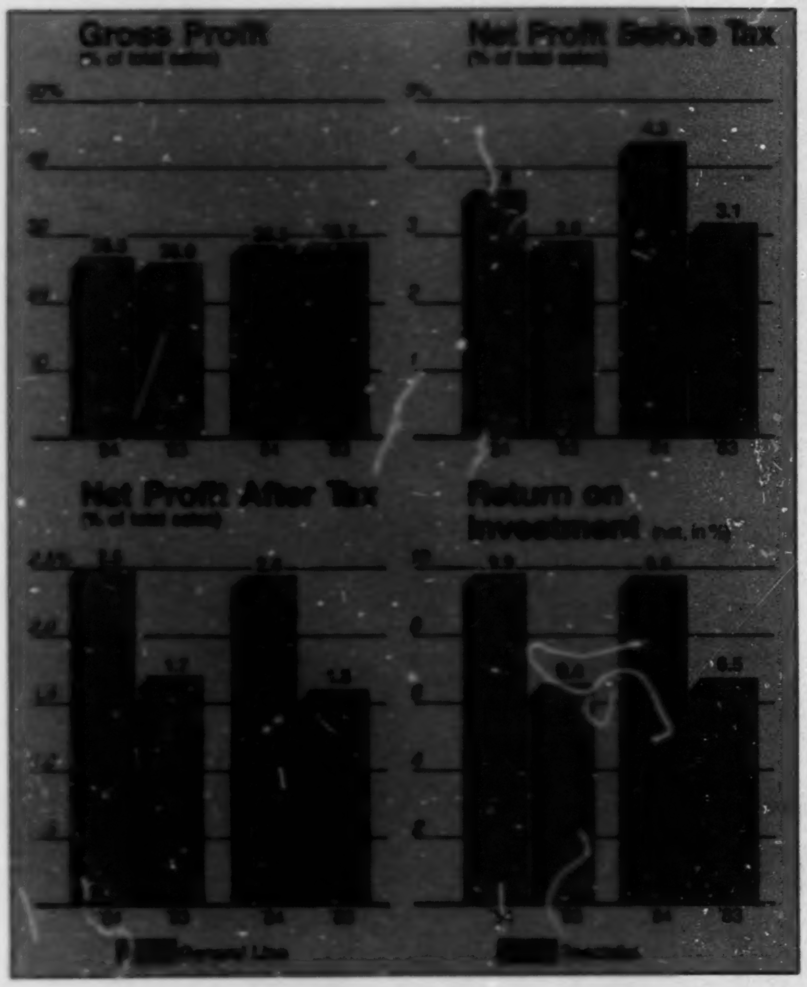
The return to increased sales and profits is reflected in the figures for return on investment with general liners up a hefty 54.7% and specialists an impressive 50.8%. These figures are more than double the return on investment reported in *ID's* 1983 survey.

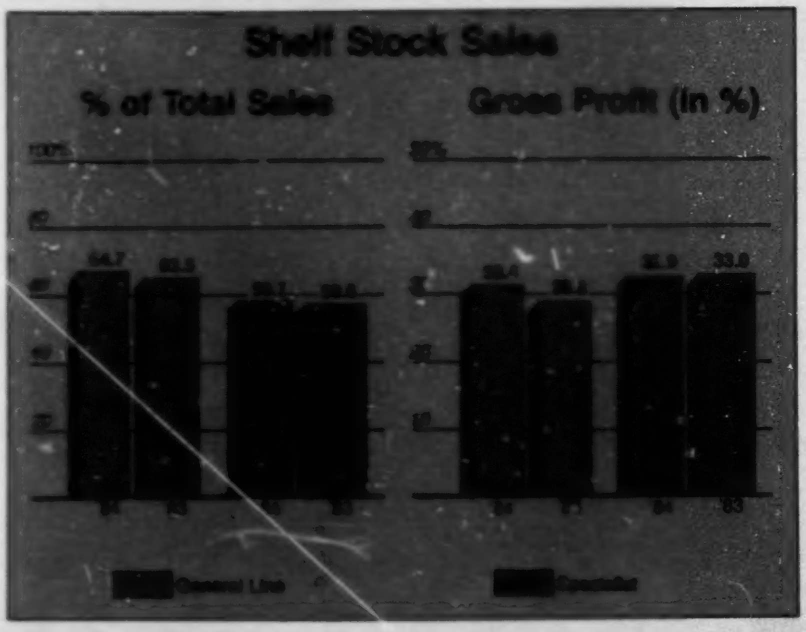
Shelf stock sales, as a percent of total sales, was up 1.9% for general line distributors, and 0.2% for specialists.

The cost of goods sold as a percent of total sales, the reciprocal of gross profits, stayed approximately the same in '84 compared to '83 for both general liners and specialists at 74% and 72%, respectively. (These figures are not plotted graphically.)

Sales via systems contracts appear to be on the rise among distributors who for the first time are indicating significant gains in the percentage of systems sales over the previous year, and as a percentage of total sales. For general liners, systems selling increased from 8.5% of total sales in 1983, to 12.2% in 1984. This represents an increase of 43.5%. For specialists, systems selling increased from 6.8% of total sales in 1983, to 12.5% in 1984. This represents an increase of 83.8%.

With lower operating expenses and moderate compensation costs, the profit and loss picture for industrial distributors was better in 1984 than it has been in quite a few years.





39th Annual Survey of Distributor Operations

Operating Costs

Total operating expenses fell for distributors in 1984, dropping 5.6% for general liners and 2.3% for specialists, when compared to 1983.

Also dropping were total insurance costs, down 2.4% for general line distributors and 20.1% for specialists. Surprisingly, inside EDP costs fell 20.8% for general liners while rising 25% for specialists; outside EDP costs increased 25% for general line distributors and 50% for specialists.

Very promising figures, indicative of the '84 upturn, are sales per employee and gross profit per employee.

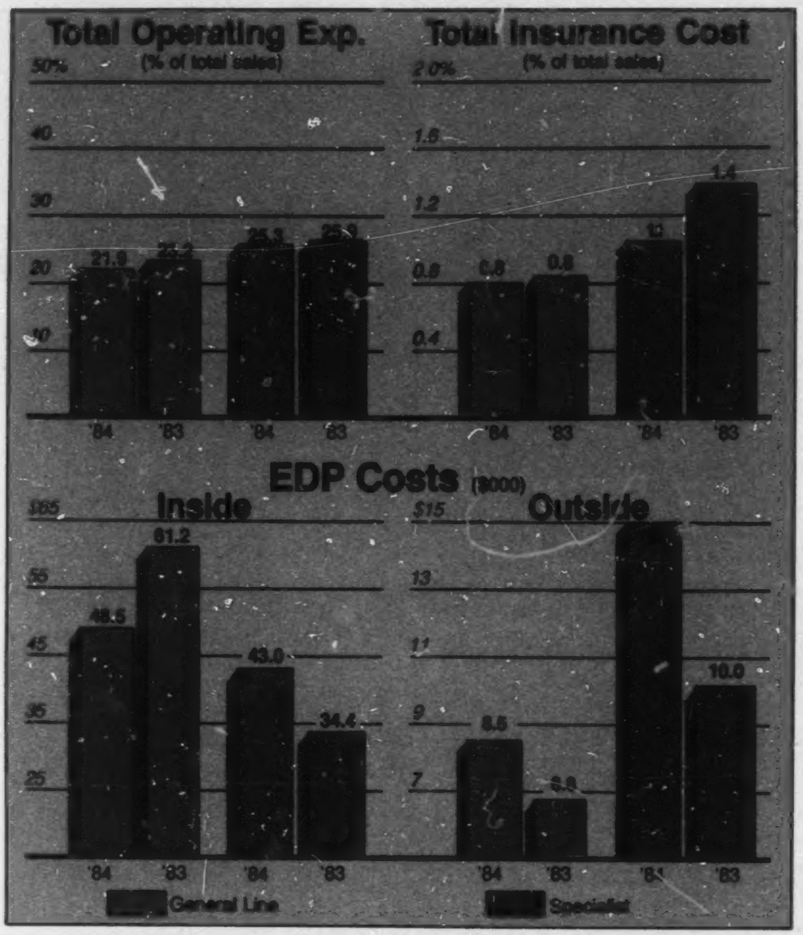
Sales per employee gained $10,400 from 1983 to 1984, or 7.3% for general liners; the gain was $9800 or 6.7% for specialists.

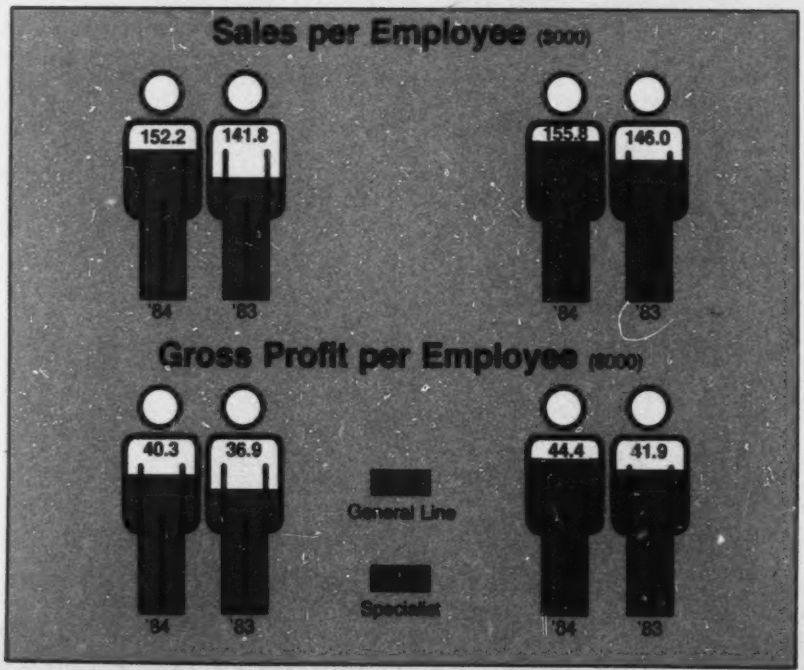
Gross profit per employee rose $3400 or 9.2% for general line distributors, 1984 compared to 1983; the increase was $2500 or 6% for specialists.

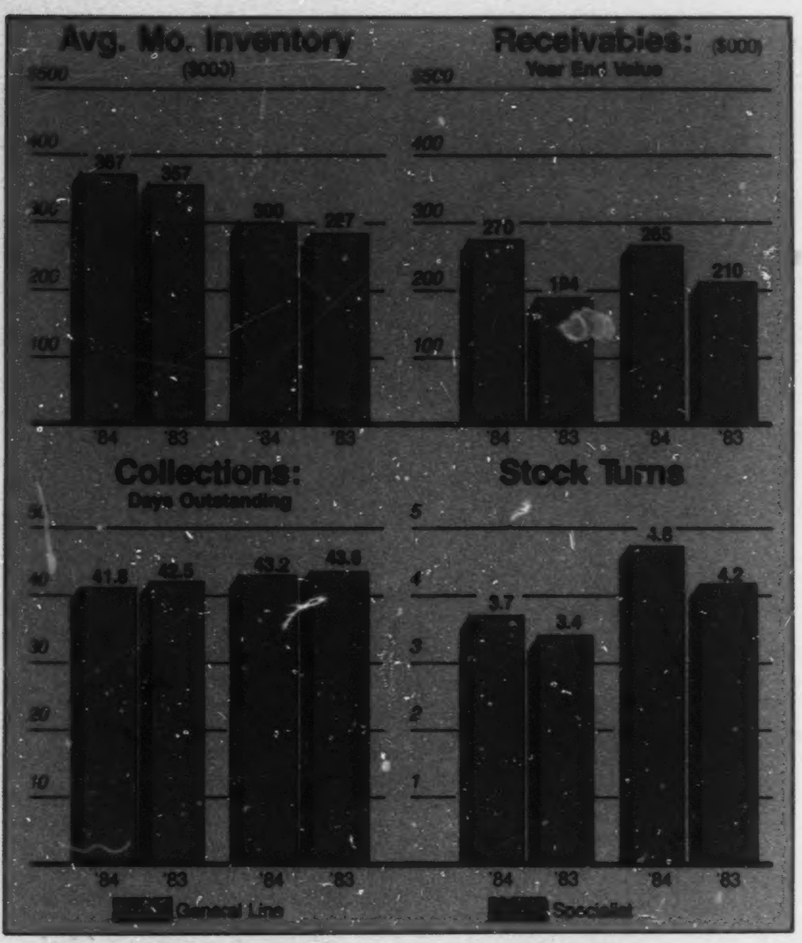
In product liability statistics, 27% of general liners surveyed, and 28% of the specialists report being involved in product liability law suits in 1984. The median cost was $2500 for general liners, $5000 for specialists. This figure is not plotted graphically.

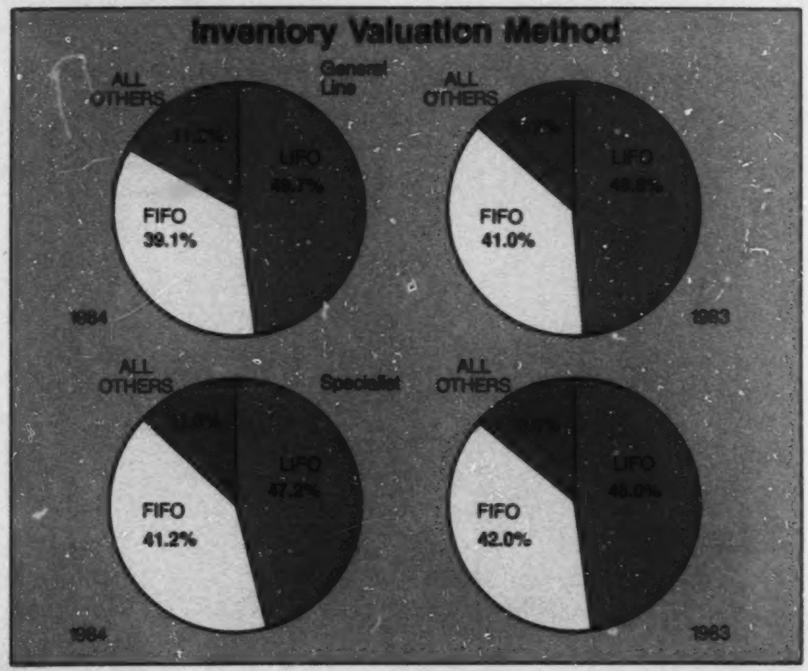
Approximately 6% of both general liners and specialists revealed an increase in product liability insurance in 1985, while an insignificant number had decreases. This indicates little change in the cost of product liability insurance in 1985 for distributors.

However, no figures have as yet been obtained on claims paid out by insurance companies (in and out of court) based on lawsuits against distributors. Because these often take years to settle, it will be some time before it can be determined if these payouts are increasing substantially, following liability settlements in other industries and professions.









Inventory Data

Average monthly inventory, receivables and stock turns all rose in 1984, while collections (days outstanding) fell slightly.

Inventory figures were modest, increasing $10,000 monthly or 2.8% for general line distributors, and $13,000 or 4.5% for specialists.

Accounts receivable (year end value) increased substantially for both general liners and specialists, rising 39.2% and 26.2% respectively.

Stock turns, one of the most difficult figures to increase substantially, managed a respectable rise of 8.8% for general line distributors and 14.3% for specialists, 1984 compared to 1983.

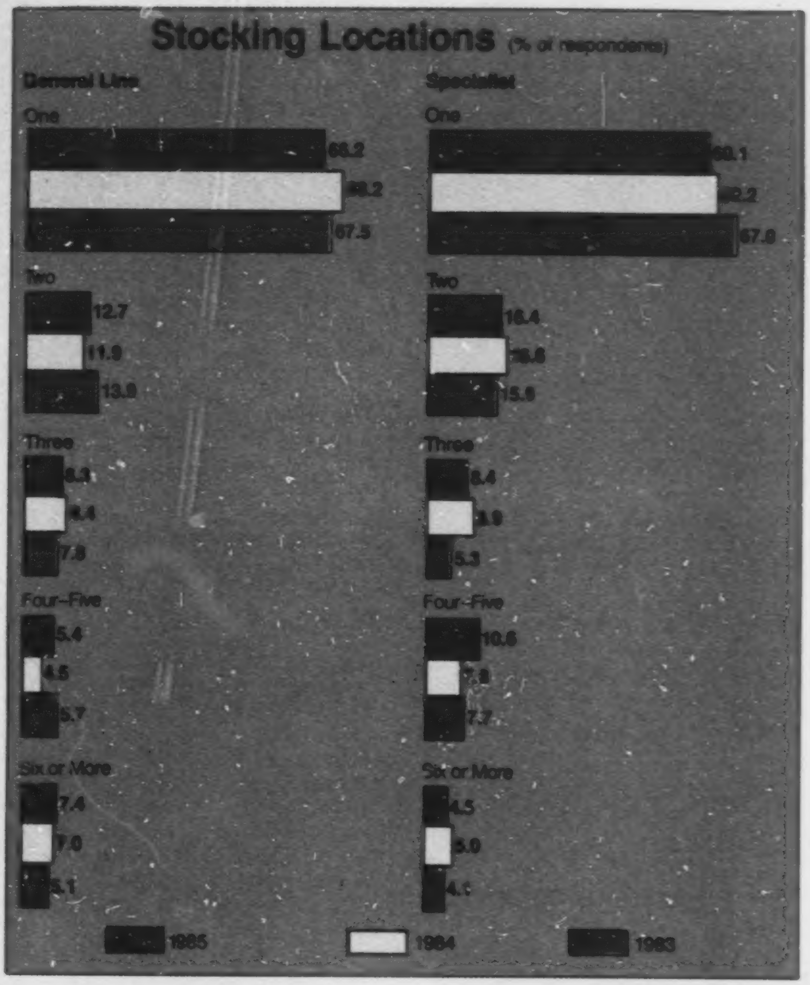
Stock turns are calculated by multiplying the percent of shelf stock sales at cost by total sales, and dividing the result by the average monthly inventory value.

Collection figures are now commonly above 40 days, even though in the late '70s and early '80s, the mid to upper 30s were more common. With 1984's low inflation rate, and little erosion of the buying power of the dollar, these figures have stayed stubbornly high. The 1984 figures for general liners is 41.8 days, a slight drop over 1983's 42.5 days. For specialists, the 1984 figure of 43.2 days is almost flat compared to 43.6 days in 1983.

The percentage of LIFO and FIFO users shows little change in 1984 compared to 1983 for both general liners and specialists.

For general liners, LIFO increased by 1.8% while FIFO fell by 4.9%, 1983 to 1984. For specialists, LIFO fell 1.7% and FIFO fell also, by 1.9%.

For both category of distributors, an increase was recorded in the use of "other" accounting methods: 9.8% for general liners, 16% for specialists.



Business Trends

Distributor stocking locations did not show appreciable differences in 1984 and (expected) 1985, except in the higher categories. After declining during the recession years, stocking locations, especially among the larger distributors, are once again on the increase.

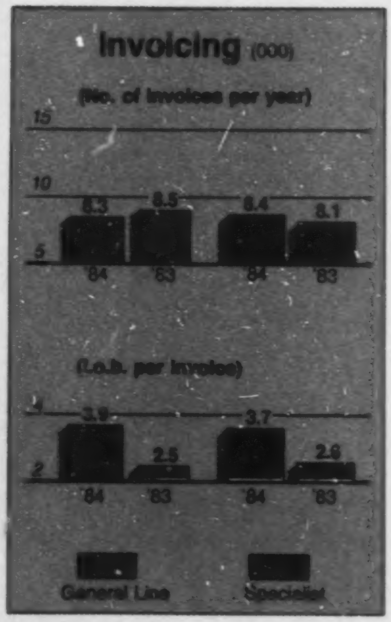
In the two stocking locations category (all categories include a distributor's corporate headquarters), general liners showed an increase of 6.7% over 1984, which in turn had declined 14.4% from 1983's figures. Specialists declined 1.2%, expected 1985 vs. 1984, and had a 4.4% rise, 1984 vs. 1983.

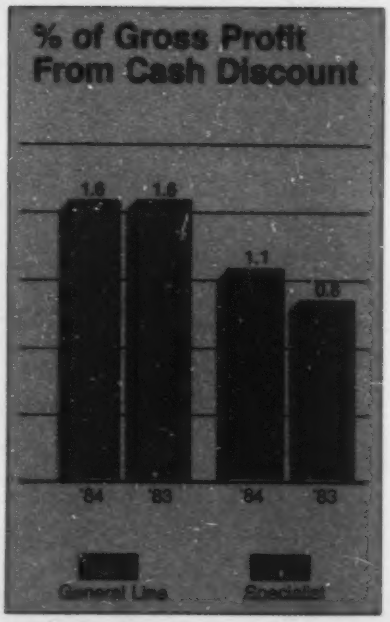
The most appreciable change, expected 1985 against 1984, is in the four-five stocking locations category. General line distributors were up 20% while specialists gained 45.2%.

In the six or more category, results were mixed for 1985, although 1984 statistics show similar results with general liners up 37.3% and specialists 22% over 1983. For 1985, general liners were up 5.7% while specialists declined 10% compared to 1984.

In invoicing statistics, the number of invoices per year show mixed results, general liners declining 2.4% while specialists gained 3.7%. The lines of billing per invoice were unmistakeably higher, general liners increasing 56% and specialists up 42.3%.

The % of Gross Profit From Cash Discounts was flat for general liners while increasing 27.3% for specialists. A good many of the respondents "roughed in" these figures as distributors still find it difficult to accurately calculate at the end of the year how much of their sales came from discounting.





Personnel Statistics

Total personnel increased in 1984, as did the categories for inside and outside sales for both general liners and distributors. In 1985, this trend continued for both inside and outside sales.

The total number of full time employees increased 3% for general line distributors, or from 13.4 to 13.8 employees, and 12.4% or 13.7 to 15.4 employees for specialists in 1984 compared to 1983.

In the outside sales category, the increase was 16.1% for general liners from '83 to '84, followed by an additional 13.9% increase for '85. For specialists, an increase of 2.8% in '84 against '83 was followed by an increase of 16.2%, '84 to '85.

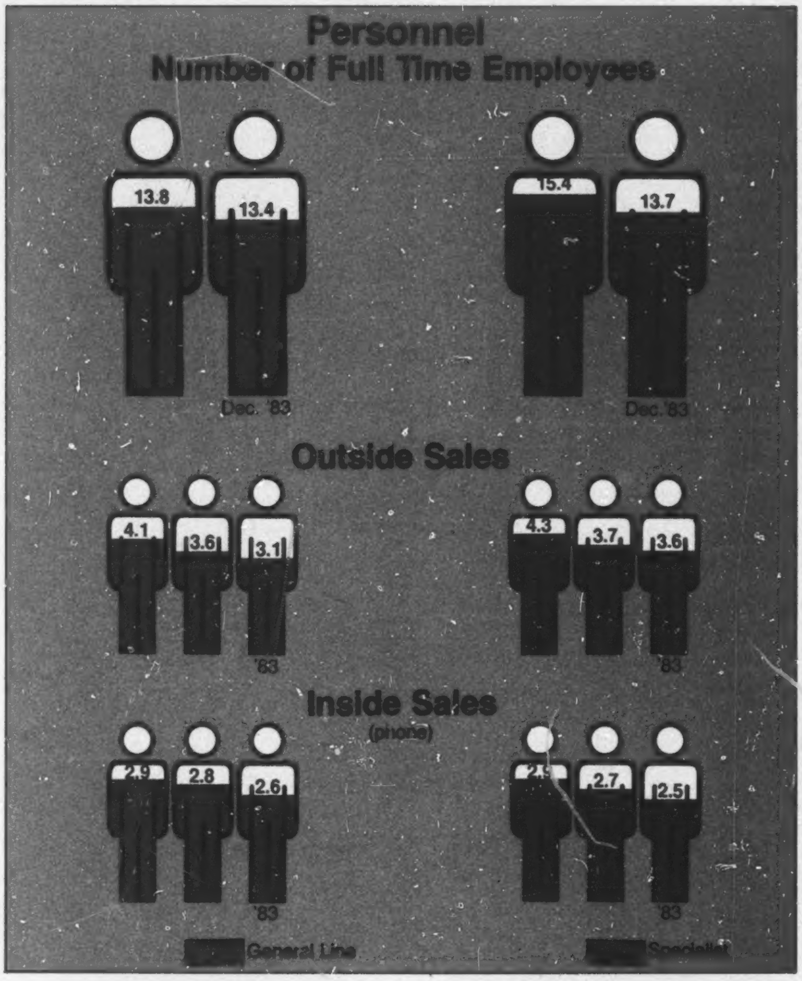
A slower but steady increase is also noted in inside sales. For general liners, the increase was 7.7%, '84 over '83, and 3.8%, '85 over '84. For specialists, the gain was 8%, '84 over '83, and 7.4%, '85 over '84.

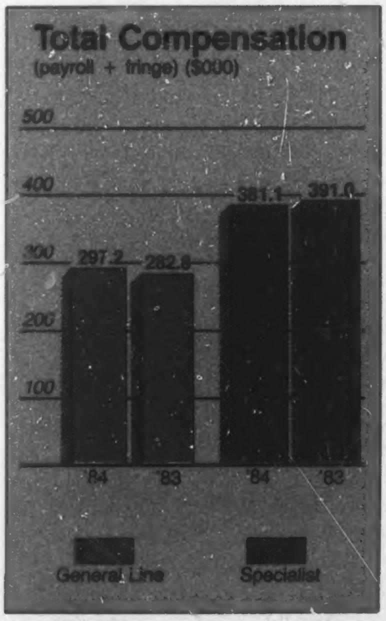
Total compensation figures were mixed. For general liners, total compensation increased by $14, 400, or 5.1% , with specialists declining $9900, or 2.5%, 1984 vs. 1983.

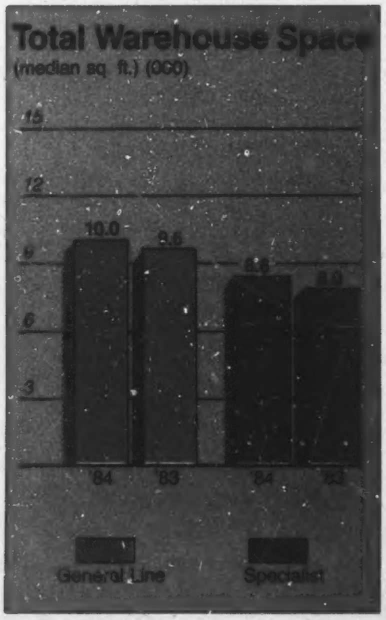
Total warehouse space increased for both general liners and specialists in 1984 over 1983. For general liners, the increase was 4.2%; for specialists, 7.5%.

22.6% of the general line distributors and 26.3% of the specialists queried intend to increase warehouse space in 1985, general liners by 2900 sq ft, specialists by 3900 sq ft.

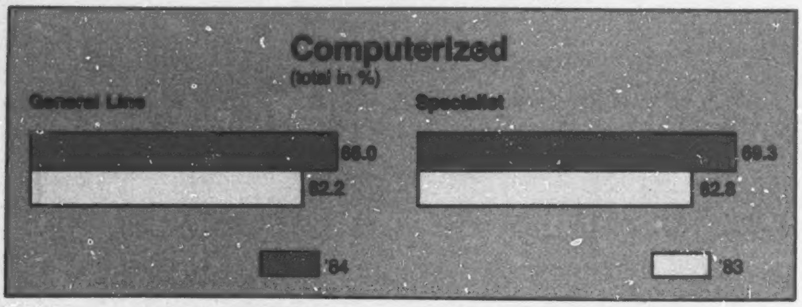
Only 2.4% of the general liners and 3.4% of the specialists in the survey indicated an intent to reduce warehouse space in 1985.

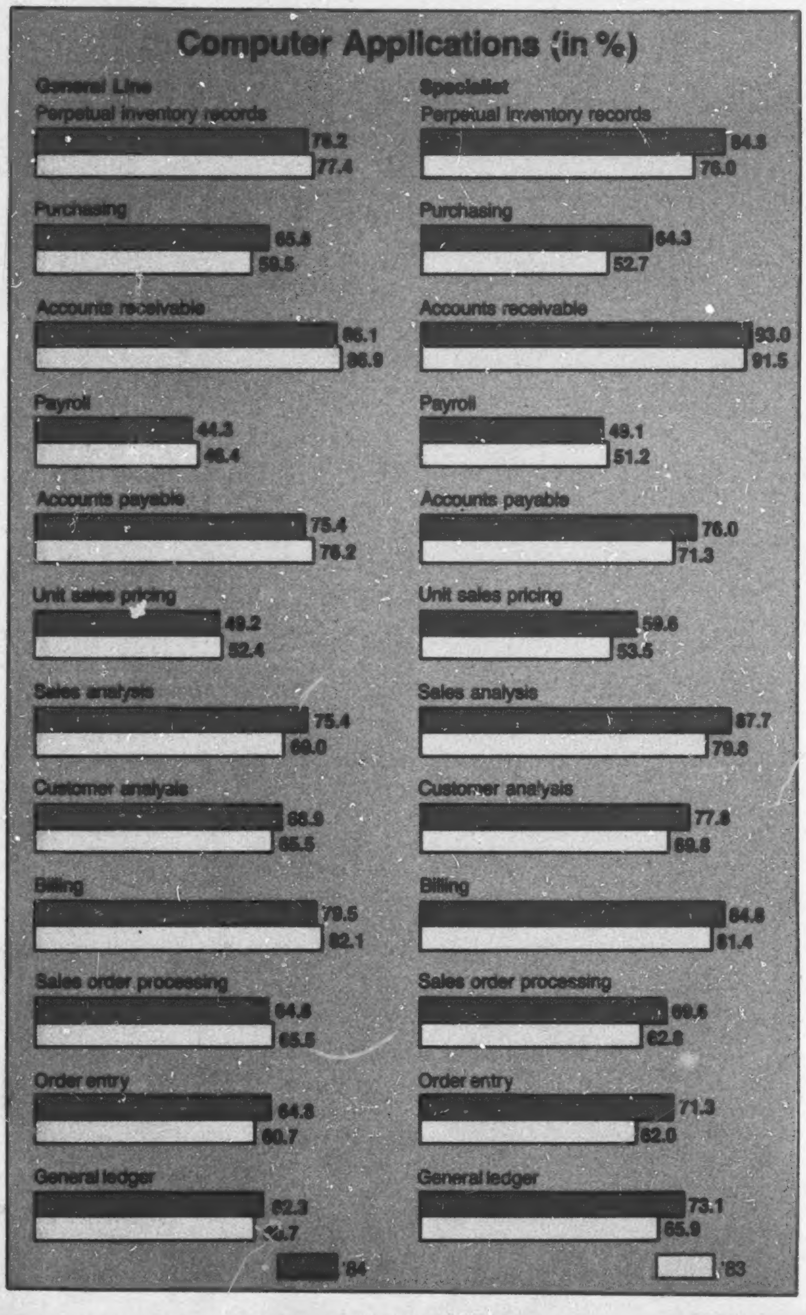






39th Annual Survey of Distributor Operations





Computer Usage

The use of computers by industrial distributors continues to increase in yearly comparisons as do computer applications.

For general liners, 6.1% more distributors were computerized in '84 compared to '83. For specialists, the increase was 10.4%.

Over 90% of both general liners and specialists are now utilizing inside systems as compared to outside services. (These figures are not plotted graphically.)

There are now 12 major categories of computer applications with accounts receivable, sales analysis, and perpetual inventory records up among the top uses. Payroll is still at the bottom of the list, as many distributors who started using outside services for this purpose are satisfied or if not, are reluctant to change. Confidentiality may be another reason distributors prefer an outside service for payroll.

The largest increase in percentage points, year-to-year, was purchasing in the general line category which increased over six percentage points from 59.5 to 65.6. For specialists, customer analysis was the most popular increasing eight percentage points from 69.8 to 77.8.

The order of use based on preference is for general liners: (1) accounts receivable, (2) billing, (3) perpetual inventory records, (4) accounts payable, (5) sales analysis, (6) customer analysis, (7) purchasing, (8) order entry, (9) sales order processing, (10) general ledger, (11) unit sales pricing, (12) payroll. For specialists the preference is: (1) accounts receivable, (2) sales analysis, (3) billing,(4) perpetual inventory records,(5) customer analysis, (6) accounts payable, (7) sales order processing, (8) general ledger, (9) order entry, (10) purchasing, (11) unit sales pricing, (12) payroll.

Condensed table for comparison and analysis

	National		Your figures	Northeast		Your figures
	'84	'83		'84	'83	
Total sales ($millions)	2.3	2.0		1.9	1.7	
Sales from stock (% of total sales)	73.3	73.2		73.0	72.1	
Gross profit (% of total sales)	27.6	27.4		27.1	26.6	
Total operating expenses (% of total sales)	23.7	24.6		25.0	24.3	
Net profit before tax (% of total sales)	4.0	3.0		3.4	2.3	
Net profit after tax (% of total sales)	2.4	1.6		1.8	1.5	
ROI (return on net worth)	10.0	6.6		8.0	7.0	
Sales per employee ($000)	155.4	148.1		169.6	154.5	
Gross profit per employee ($000)	42.9	40.1		46.0	41.1	
Monthly inventory value ($000)	329.0	309.0		286.0	271.0	
Receivables value as of Dec. 31 ($000)	261.0	198.0		220.0	188.0	
No. days outstanding at Dec. 31	42.5	43.1		42.9	44.0	
No. of invoices billed (000)	8.4	8.2		8.5	8.1	
No. of lines of billing per invoice	3.7	2.5		4.0	2.5	

No. of employees	14.8	13.5		11.2	11.0	
No. of outside salesmen	3.7	3.4		3.1	2.9	
No. of inside (phone and counter) salesmen	4.0	3.7		4.0	3.7	
Warehouse sq ft (000, including branches)	9.1	8.6		8.0	7.8	
No. of branch locations (avg.)	1.3	1.2		1.2	1.1	
Total compensation (avg., $000)	342.1	347.2		341.2	297.5	

	South Atlantic		Your figures	North Central		Your figures
	'84	'83		'84	'83	
Total sales ($millions)	3.3	2.9		2.6	2.0	
Sales from stock (% of total sales)	72.9	73.2		75.2	74.5	
Gross profit (% of total sales)	28.2	27.9		25.8	25.3	
Total operating expenses (% of total sales)	23.8	24.3		21.8	24.2	
Net profit before tax (% of total sales)	4.2	3.4		3.5	2.0	
Net profit after tax (% of total sales)	3.0	2.2		1.9	1.0	
ROI (return on net worth)	15.4	10.0		8.5	4.6	
Sales per employee ($000)	164.2	172.6		164.0	125.0	
Gross profit per employee ($000)	46.3	48.2		42.5	31.6	
Monthly inventory value ($000)	367.0	300.0		333.0	325.0	
Receivables value as of Dec. 31($000)	300.0	214.0		292.0	217.0	
No. days outstanding at Dec. 31	40.1	41.3		42.4	43.3	
No. of invoices billed (000)	11.0	10.5		8.0	8.3	
No. of lines of billing per invoice	4.4	2.3		3.4	2.4	

No. of employees	20.1	16.8		15.8	16.0	
No. of outside salesmen	4.2	3.5		4.3	4.2	
No. of inside (phone and counter) salesmen	5.7	5.4		3.6	3.4	
Warehouse sq ft (000, including branches)	11.7	9.5		8.8	8.4	
No. of branch locations (avg.)	1.6	1.5		1.3	1.3	
Total compensation (avg., $000)	474.0	423.5		436.4	471.3	

	South Central		Your figures	West		Your figures
	'84	'83		'84	'83	
Total sales ($millions)	2.1	1.7		2.2	2.1	
Sales from stock (% of total sales)	72.4	74.1		71.7	70.9	
Gross profit (% of total sales)	29.0	28.0		30.6	32.5	
Total operating expenses (% of total sales)	22.7	22.8		25.0	26.1	
Net profit before tax (% of total sales)	6.0	4.8		4.1	4.6	
Net profit after tax (% of total sales)	4.0	2.6		2.9	2.5	
ROI (return on net worth)	10.4	8.0		7.5	8.5	
Sales per employee ($000)	152.2	119.7		141.0	168.0	
Gross profit per employee ($000)	44.1	33.5		43.2	54.6	
Monthly inventory value ($000)	220.0	188.0		475.0	431.0	
Receivables value as of Dec. 31 ($000)	233.0	178.0		273.0	250.0	
No. days outstanding at Dec. 31	42.1	42.0		43.5	43.8	
No. of invoices billed (000)	9.2	9.1		6.7	6.4	
No. of lines of billing per invoice	3.7	2.6		3.7	3.0	

No. of employees	13.8	14.2		15.6	12.5	
No. of outside salesmen	3.4	3.2		3.7	3.5	
No. of inside (phone and counter) salesmen	4.0	3.9		3.7	3.5	
Warehouse sq ft (000, including branches)	14.4	13.2		9.0	8.3	
No. of branch locations (avg.)	1.3	1.3		1.3	1.2	
Total compensation (avg., $000)	272.1	285.5		315.5	360.0	

Note: All figures are in medians, except where averages are specified.

Survey continues on next page

Combination Houses

For the first time in its 39 year history, INDUSTRIAL DISTRIBUTION'S Annual Survey of Distributor Operations includes data on Combination Houses. Until now, the Survey had focused exclusively on general line and specialist firms that qualified under *ID's* strict criteria for industrial distributors. Combination Houses are those that sell a substantial volume of equipment and supplies to industry *plus* products that are not generally considered purely industrial, for example, automotive parts, wholesale electric, plumbing and heating.

Increases in sales and profits fuel expansion plans

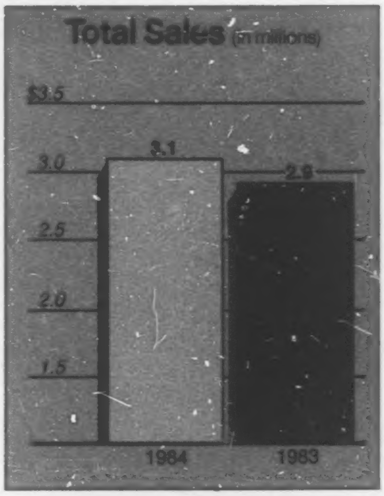
Combination houses taken together had increased sales of 6.9% in 1984 compared to 1983 (see graph). Classified by type, specialists fared better than general line houses, increasing sales 28.6% (or from $1.4 million to $1.8 million). General liners were up 7.3% (or from $4.1 million to $4.4 million).

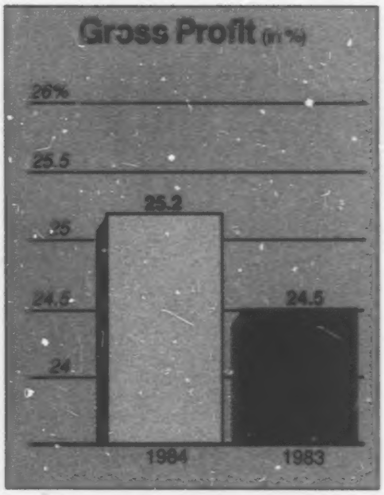
Gross profit for all combination houses increased 2.9% in 1984 over 1983. Classified by type, general liners were up 4.1% (from 24.4 to 25.4%) while specialists were up only 0.4% (from 25.7 to 25.8%).

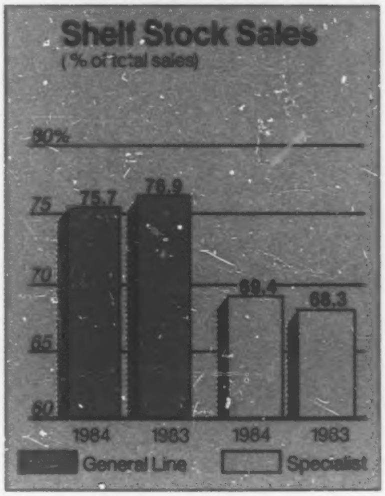
According to *ID's* survey, a significant number of combination houses are planning to expand in 1985, expressing optimism down the line. Some 52% of the general line houses, and 53.6% of the specialists responding to the question, "Do you plan to expand in 1985?" replied affirmatively.

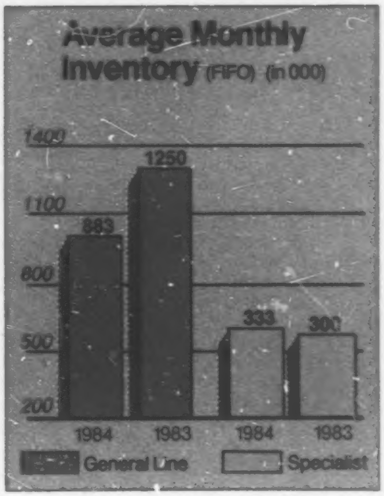
These figures are further supported by planned increases in sales personnel. General liners are planning a 9.8% increase in outside salesmen over 1984; specialists 10.3%. For inside sales, general line houses are planning an increase of 7.3%; specialists, 3.6%.

Although 1985 intentions as to warehouse space was not part of the survey, statistics indicated a gain for general liners from 24,100 sq ft in 1983 to 24,500 sq ft in 1984, or 1.7%, with specialists showing a drop from 8400 sq ft in 1983 to 7000 sq ft in 1984, or a loss in space of 16.7%. By region, South Atlantic and North Central gained space; *West and Northeast* lost; South Central was even.









Volume, stock turns up as all major areas contribute

Combination houses, as would be expected, do a brisker business in walk-in sales than distributors that sell only to the industrial market. Over 10% of the total sales of combination houses came from walk-in business both in 1983 and 1984. The increase, year-to-year, was slightly less than 1%.

Of the goods sold other than industrial by combination houses, the leaders were plumbing and heating, electrical, and hardware. These were *followed by automotive and metal* service centers.

All of the major areas helped swell sales, increase monthly inventory values as well as stock turns in 1984. For general liners, stock turns increased from 2.5 in 1983 to 3.8 in 1984, or 52%; for specialists, stock turns increased from 3.2 in 1983 to 3.8 in 1984, or 18.8%.

The average monthly inventory value for general liners decreased from $883,000 in 1983 to $1,250,000 in 1984; for specialists, from $300,000 in 1983 to $333,000 in 1984.

The median figure for the number of invoices billed in 1984 was 46,300 for *general liners* and 10,900 for specialists.

Sales and price forecasts healthy; receivables improve

Without exception, distributors in all areas of the country have forecasted sales increases for 1985 in double digits, and price increases in single digits.

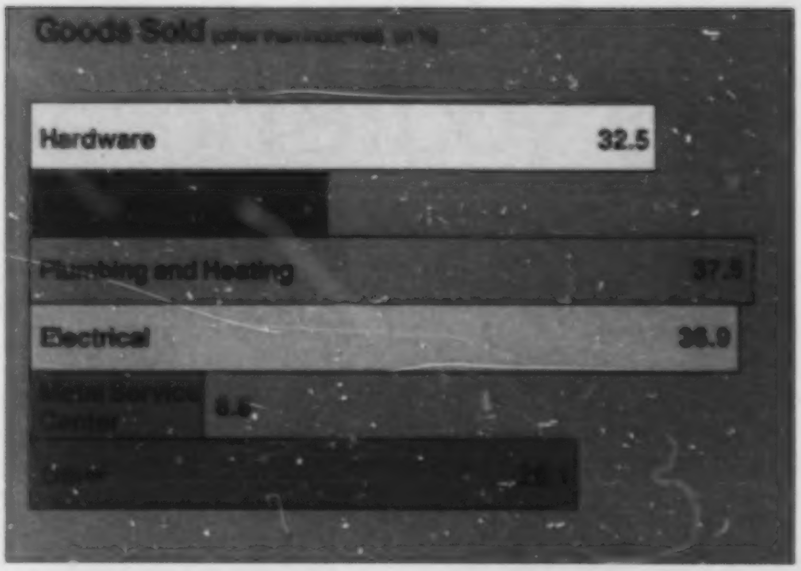
Combination house distributors predict a sales increase of 14.3% for this year, with the Northeast and South Atlantic regions predicting the highest figure, 15%, and the South Central the lowest, 12.5%.

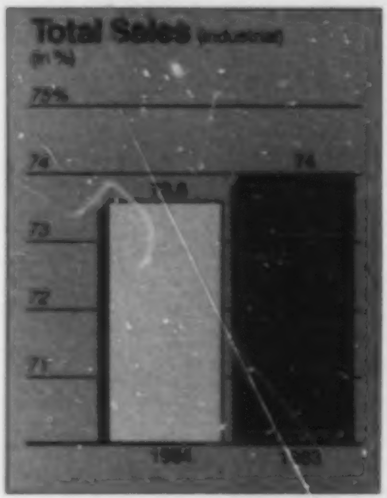
In price forecasting, the median price increase was 5.6% for 1985, the highest increase of 6% coming from the South Atlantic region, the lowest increase, 5.2%, from the Western region.

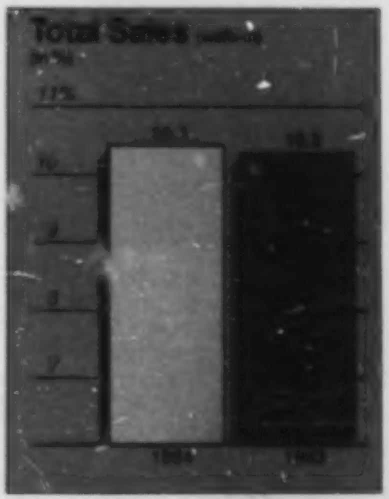
In days outstanding for receivables, a slight improvement was recorded over 1984 figures.

For general liners, receivables dropped from 44.4 to 43 days, an improvement of 3.2%. For specialists, the drop was from 44.9 to 43.6 days, or 2.3%.

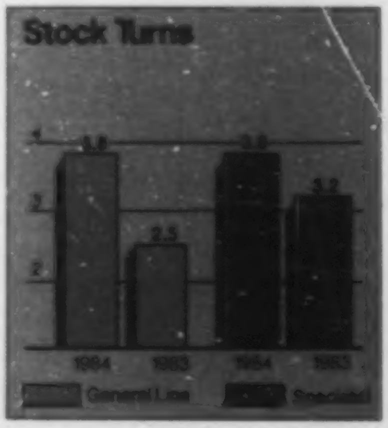
With inflation staying low, and interest rates falling as well, it is expected that receivables for 1985, especially in the second half of the year, should show further improvement.

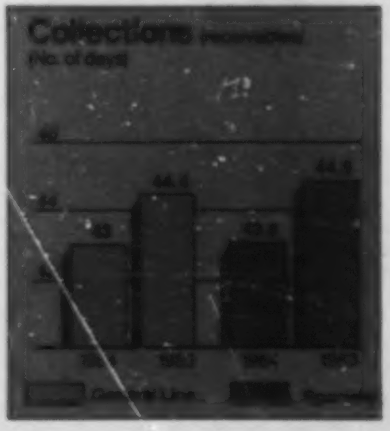






The complete 39th Survey of Distributor Operations is for sale in report form. It contains 232 pages of statistics which, in addition to national information, includes regional breakdowns of business operations for each of the industrial distribution categories. A table of contents easily brings the reader into specific sections for analysis. A single copy is $150. For more information contact Laurie Schnepf, Research Director, Technical Publishing Co., 875 Third Ave., New York, NY 10022 or call (212) 605-9679.





ID's QUARTERLY INFLATION INDEX

As the Table 1 summary indicates, the *Silver/ID Inflation Index* rose 2.8% for the first quarter of 1985. For the four years we have been publishing the index, the inflation rate for the other three quarters was always lower than that for the first quarter. Because of this consideration we project an inflation rate for our index for 1985 averaging only slightly over 2%. For 1984 it was 2.24%.

However, there are some indications that the inflation rate may be higher. Note that the index has risen for three quarters in a row. For all previous periods in the last four years it rose in the first quarter and almost always went down for the rest of the year. Table 2 shows the movement for the 34 commodities in the index.

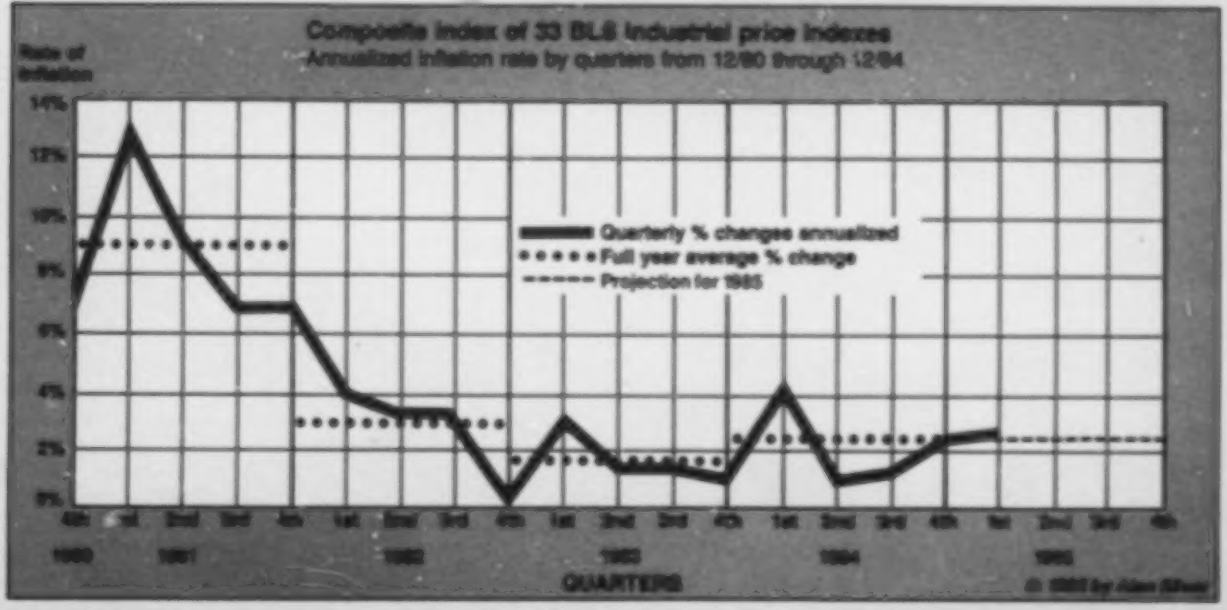
Compiled by Alan Silver Associates, Inc.
Highland Park, NJ

For copies of Alan Silver's articles, write: Alan Silver & Associates, Inc., 168 Woodbridge Ave., Highland Park, NJ 08904 (201) 572-2300).

Table 1—Comparing inflation indexes

	Current qtr	*BLS inflation rates (%) Year-to-date		
	3/85 vs 12/84 annualized	3/85 vs 12/84 annualized	3/85 vs 3/84	12/84 vs 12/83
Silver/ID index of 33 industrial products groups	2.80%	2.80%	2.29%	2.24%
NEDA/SEDA index of 19 industrial product groups	6.34%	6.34%	2.38%	2.47%
**PPI index of industrial commodities	-0.48%	-0.48%	0.22%	1.44%
Avg. of above indexes	2.89%	2.89%	1.97%	2.14%
**PPI index of finished goods (indl/agric)	0.12%	0.12%	0.27%	1.80%
Silver/Wholesaler index of 13 lines (plmgh/htng)	3.84%	3.84%	3.06%	4.31%
Electrical Marketing index of 24 product groups	3.30%	3.30%	1.89%	3.81%
***NAED inflation index: 16 product groups	10.04%	10.04%	6.10%	5.10%
Consumer Price Index	4.26%	4.26%	3.70%	3.80%

*Bureau of Labor Statistics (1967 = 100)
**Producers Price Index (formerly Wholesale Price Index)
***National Assn. of Electrical Distributor's (non-BLS) (1973 = 100)
NOTE: All figures are based on BLS unadjusted indexes unless otherwise noted. For the first quarter of each year, the first two columns of figures will be alike. For all other quarters, the first column will be the last quarter annualized, and the second column of figures will be current year-to-date annualized. Upcoming reports will follow the above format.


Composite index of 33 BLS industrial price indexes
Annualized inflation rate by quarters from 12/80 through 12/84

© 1985 by Alan Silver

ID's QUARTERLY INFLATION INDEX

Table 2—ID quarterly inflation index (1967 = 100 except where otherwise indicated)

Col 1	Col 2	Col 3	Col 4	Col 5	Col 6	Col 7	Col 8	Col 9	Col 10	Col 11
Product category	Current qtr 3/85	Previous qtr 12/84	% inflation current qtr	Current qtr annualized %	Year-to-date 3/85 vs 12/84 %	Year-to-date 3/85 vs 12/84 annualized %	Last 12 months	4th qtr 84	4th qtr 83	Annual inflation 84 %
[1]Industrial [illegible]	272.7	272.7	0.00	0.00	0.00	0.00	0.11	272.7	271.7	0.37
Prepared paint	279.1	277.3	0.67	2.42	0.67	2.48	4.04	277.3	266.0	4.20
[2]Rubber belts & belting	304.0	295.8	2.76	11.04	2.76	11.04	5.00	294.8	284.1	3.11
Other misc. rubber products	303.0	314.3	[illegible]	-1.72	-0.43	-1.72	-1.17	304.3	298.2	2.05
Plastic construction products	195.4	182.0	-5.57	-20.20	-5.57	-20.20	-4.10	183.0	179.0	-0.08
Semi-finished steel products	272.3	273.0	-0.18	-0.76	-0.18	-0.76	-0.10	273.0	270.0	0.6
Wire & cable	201.2	201.3	0.00	3.08	0.00	2.00	-0.49	201.2	204.8	-4.10
[1]Electric wire & cable	103.3	103.6	-0.27	-1.10	-0.25	-1.1	-0.30	103.6	103.2	0.30
[3]Building wire & cable	97.5	97.8	-0.31	-1.20	-0.31	-1.20	-0.00	97.8	104.0	-0.70
Builders' hardware	300.9	298.8	1.07	7.00	1.02	7.00	4.20	298.0	289.7	4.10
[1]Hand tools	271.5	268.5	1.04	6.00	1.04	6.00	4.25	268.5	261.0	4.10
[1]Misc. metal products	201.9	201.8	0.10	0.40	0.10	0.40	3.14	201.8	209.6	4.20
[1]Industrial safety eq.	144.8	139.8	3.72	14.80	3.72	14.80	7.80	139.8	133.0	4.07
[1]Bolts, nuts, screws & rivets (& washers)	277.3	280.1	-0.00	-0.00	-0.00	-0.04	1.00	280.0	271.7	3.00
[1]Power-driven hand tools	232.8	226.6	2.75	11.12	2.75	11.12	4.44	226.6	220.0	2.90
Welding machines & eq.	285.2	285.1	0.42	1.68	0.42	1.68	3.67	285.1	273.2	4.38
[1]Cutting tools & accessories	280.7	278.3	0.88	3.40	0.88	3.40	2.60	280.4	270.0	2.72
Precision measuring tools	287.8	234.0	2.62	10.52	2.60	10.52	3.40	234.0	244.6	4.20
[1]Abrasive products	311.5	308.1	1.10	4.40	1.10	4.40	0.40	308.1	308.2	0.75
Metal cutting machine tools	305.0	304.7	0.30	1.20	0.30	1.20	3.21	304.7	279.3	4.08
Metal forming machine tools	432.8	432.7	0.00	0.02	0.00	0.02	3.00	432.7	422.6	1.60
Pumps, compressors & eq.	335.6	332.2	1.02	4.00	1.02	4.00	1.80	332.2	318.3	1.70
Fluid power eq.	203.0	201.8	0.46	1.84	0.46	1.84	2.10	201.8	194.3	2.05
[1]Industrial material handling eq.	294.8	288.1	2.35	2.00	2.35	2.00	2.23	288.2	280.6	1.86
[1]Mechanical power transmission eq.	333.3	329.0	1.30	5.44	1.30	5.44	3.84	329.0	320.4	3.85
[3][illegible] valves, (except fluid power)	104.3	102.8	1.46	5.84	1.46	5.84	2.40	102.8	100.1	2.70
[4][1]Metal pipe fittings	103.2	103.0	0.10	0.72	0.10	0.72	3.20	103.0	103.2	5.02
Ball & roller bearings	247.3	244.3	0.81	3.24	0.81	3.24	2.51	244.5	238.2	3.30
[5]Plain bearings	100.5	100.0	0.60	2.40	0.60	2.40	—	298.2	285.0	0.60
Wiring devices	286.3	282.0	-0.47	-1.88	-0.47	-1.88	2.05	282.0	244.8	[illegible]
Integrating & Measuring Instruments	288.4	288.8	-0.17	-0.68	-0.17	-0.68	1.84	288.5	288.7	3.0
[1]Electric motors	428.5	425.3	3.04	12.16	7.04	12.16	4.20	425.3	402.4	4.60
[1]Generators & generator sets	103.1	102.8	0.30	1.10	0.30	1.16	1.30	102.8	100.7	2.60
[1]NIDA/SIDA composite	310.70	330.0	1.05	6.24	1.36	6.24	3.30	306.5	790.1	3.47
Mill/ID composite	303.30	307.20	0.70	2.80	0.70	2.80	2.25	307.3	300.0	2.34

[1]Included in NIDA/SIDA composite

[1] 12/79=100 [2] 6/79=100 [3] 12/82=100 [4] 6/83=100 [5] 12/84=100

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Industrial
Distribution

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August 1985

Hotline:
Counterfeit industrial products a growing problem for distributors

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The Urge to Merge

Maintenance Equipment & Supplies SHOWCASE
(PULL-OUT SECTION)

ID Industrial Distribution

VOL. 74 NO. 8/74th yr. A TECHNICAL PUBLISHING PUBLICATION AUGUST 1985

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Goodrich invests $17 million in hose, V-belt and lightweight conveyor belt facilities; Petersen Manufacturing Company acquired by American Tool Company; Capital goods trade fair slated for Cleveland in October; Maintenance, repairs biggest auto problems says new study; Sun belt leads U.S. for "manufacturing climate" says study; Call to Action; Hoover-NSK Bearing becomes NSK Corp.

M1
MAINTENANCE EQUIPMENT AND SUPPLIES **SHOWCASE**

Distributor Product Showcase

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Many distributors are feeling the urge.

Cover illustration: Mark Caparosa

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"High-tech" distributor van helps customers learn as they travel; Low volume electronic shipping scale; Guide for selecting company's legal firm; Are quality circles right for your company?; Easy to follow steps to reduce pilferage; Guide offers facts on metal building systems.

Maintenance, repairs biggest auto problems says new study

ROCHESTER, WI—The cost of maintenance and repairs is the fleet managers number one concern says a survey of 1422 executives conducted by Runzheimer International, the management consulting firm.

According to Runzheimer's *1985-1986 Survey and Analysis of Business Car Policies and Costs*, 29% of the respondents pinpointed maintenance and repairs ahead of driver morale and vehicle disposal as their primary concern.

At the same time, participants in the survey named "cost efficiency" as the number one fleet objective.

This sixth biennial edition of the study which costs $296 and is 400 pages in length, is available from Runzheimer International, Runzheimer Park, Rochester, WI 53167.

In response to the question, "Which of the following will be your greatest business car problem during 1985?" the answers were as follows:

	% of respondents				
Problem	**1985**	**1983**	**1981**	**1979**	**1977**
Cost of maintenance and repairs	29	31	11	19	19
Driver morale	19	4	7	8	9
Vehicle disposal	14	9	5	3	5
Personal use chargebacks	8	3	NA	NA	NA
Cost of money (financing)	7	8	NA	NA	NA
New car prices	6	20	6	8	9
Vehicle selection	4	10	6	5	7
Cost of gasoline	3	5	21	14	18
Miscellaneous problems	10	10	44	43	33
Total	100	100	100	100	100

15,000 distributors' operating data in 11 new directories

NEW YORK—Eleven directories with listings of more than 15,000 distributors has been prepared by ***ID*** from its 1985 census.

Called the *ID 1985/1986 Directory of Industrial Distributors*, a separate directory is available for each of 10 related product groups which shows all distributors who stock these lines plus distributors who specialize in them.

Directories are available for: cutting tools and abrasives; hand tools and powered hand tools; machine tools and accessories and other powered shop equipment and quality control; pipe, tubing, valves and fittings and fluid power; power transmission products, bearings, and electric and electronic; materials handling equipment; industrial rubber and plastic products; fasteners; safety and security supplies, contractors supplies and facility maintenance; welding equipment and supplies and maintenance repair and operating. The 11th volume comprises a cross-section of 10,000 distributors who stock

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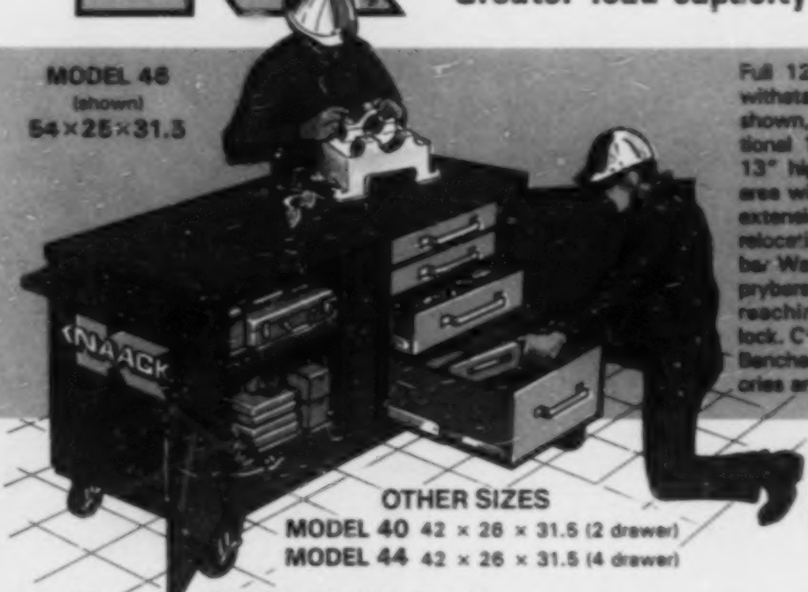

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INDUSTRY NEWS...

Capital goods trade fair slated for Cleveland in October

CLEVELAND—Billed by its promoters as the largest trade fair ever held in the U.S., the *1985 International Capital Goods Trade Fair* will open its inaugural show in Cleveland on October 18 and run through October 27.

The fair will feature exhibitors in capital goods categories that include: machine tools, robotics, plastics processing machinery, material handling systems, plant maintenance and operation equipment, computers and others.

A series of seminars, lectures and conferences will also be available to participants in conjunction with the trade fair.

The fair will be held at Cleveland's new International Exposition and Trade Center, the largest single building exposition center in the world containing 2.5 million sq. ft.

Information concerning the trade fair can be obtained from: 1985 International Capital Goods Trade Fair, 6200 Riverside Dr., Cleveland, OH 44135. ☐

Forty ft ceilings and 300 ft clear spans are features of the 2.5 million sq ft International Exposition and Trade Center located in Cleveland, OH.

American Chain Assn. asks FTC to check flag ad for deception

ROCKVILLE, MD—The American Chain Assn. (ACA) has requested that the Federal Trade Commission investigate whether advertising placed by Peer Chain, Wheeling, IL constitutes "deception and unfair competition."

The ads, which feature roller chain manufactured in Taiwan and sold in the U.S. by Peer Chain, show a military figure composed of chain saluting a large red, white and blue American flag, according to the FTC petition filed by the ACA.

Commenting on the petition, Raymond J. Lloyd, ACA's executive secretary, noted that "The Commission has long made clear that the country of origin of an article may not be misrepresented and it has issued cease and desist orders against advertising that deceptively depicts flags and other national symbols of a country other than the country of origin."

Lloyd went on to say that "the depiction of a large American flag and a military figure saluting the American flag unambiguously connotes American origin," citing several FTC rulings and opinions regarding the deceptive nature of such advertising.

According to the ACA, roller chain imported from Taiwan into the U.S. has nearly tripled in the last four years, rising from less than 6% in 1980 to about 17% in 1984. The association claims that approximately $12.4 million worth of Taiwanese roller chain was imported last year. ☐

Buford Bros. acquires Rogers-Bailey Supply

NASHVILLE, TN—Buford Bros. Inc., the Nashville based industrial supply and equipment firm that owns Browning Belting of Chattanooga, TN has acquired Rogers-Bailey Supply Co. in that city. The two merged companies have been re-named Rogers Bailey & Browning.

Thomas Ritter, president of Buford Bros. said that the acquisition will provide the company's customers with access to more than $5 million of inventory in Chattanooga, Nashville, and Knoxville, TN.

At the same time, it was announced that Steve Rusmisell has been appointed president of Rogers-Bailey & Browning.

Rusmisell, a graduate of the University of North Carolina, began his career with Tidewater Supply Co., leaving to join Joy Manufacturing as regional sales manager. ☐

Indicators . . .

For the second month in a row and only the second time in 15 months, all three key indices once again advanced simultaneously for the current period. The NIDA/SIDA *Industrial Distribution Index* rose 6.9 points in May compared to April. The big increase came from the Western region which jumped ahead by 10 points, followed by the South which rose by 7.6, the East by 2.8 and, finally, the Midwest by 1.3. In May '85/May '84 comparisons, the national figure is 12.7 points ahead of last year while the South shows the greatest regional increase by rising 17.6 . . . the SIDA Monthly *Sales Trend Report* for April moved ahead of March by an average of 3.83 for all regions fueled by an 8.93 improvement in Area 4 which comprises AR, LA, OK, and TX. In other regions, Area 2 (FL, GA, SC, Puerto Rico) gained 5.58 points and Area 3 (AL, KY, MS, TN) stayed essentially flat moving ahead just 0.62. Area 1 consisting of NC, VA and WV was the only disappointment in SIDA's April sales, dropping 1.94 from the previous month. Comparing year-to-date '85 with year-to-date '84, the average of all four areas is up 4.97 with area 3 showing the strongest improvement by growing 11.24 over the same period last year . . . ASMMA's *New Order Index* for the month of April rose a scant 0.2 to 118.6 in March. While this is the highest figure registered in the last three months, it is lower than the January Index of 119.2 and lower than all but three months (March, April and October) in 1984. The April '84 and April '83 levels were 116.1 and 88.2 respectively . . . According to the National Welding Supply Assn., its *Welding Supply Index* which, the association said has been "spirited" from the start of the year, is now beginning to "sizzle." The April Index figure advanced 13.3 points over last month to a healthy 213.0 producing a 17.2% YTD improvement over 1984. The current figure is the highest level recorded in the last 52 months. All components of the Index, gas, equipment, expendables and other supplies, showed growth in April compared to March.

REGIONAL REPORT

May sales at two-year low

After a brief respite in April, distributor sales fell again in May—the third time in the past four months (see graph). Down eight percentage points from April's figure, May barely held to the plus side, up only 1% compared to May '84. This is the lowest sales has been since the recovery began in distribution in May '83.

Three regions reported negative sales figures for May: West South Central—off 16%, New England—off 3%, and South Atlantic—off 1%. The strongest region was East North Central—up 7%.

Month-to-month figures, reflective of the most immediate sales trend, was spotted with minus signs. In regions, New England, West South Central and Pacific were down, and in areas, Massachusetts and Upstate New York were in the negative column. The largest regional drops were West South Central and Pacific at 9%; the largest rise was East North Central at 8%. In areas, the steepest drop was Upstate New York, down 6%; the best gain, Wisconsin and Michigan, both up 9%.

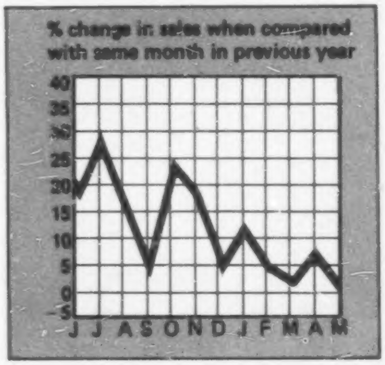
Cumulative figures for the first five months of '85 compared to '84 held steady at a gain of 6%, the same as in April but three percentage points less than the February and March gains of 9%. Cumulative figures are usually the last to reflect a trend in either direction.

In regions, the best gain was East North Central, up 10%; biggest drop was West South Central's 10%.

Receivables show little change. □

RECEIVABLES*	May 1985		vs. May 1984	
	Gen.	Spec.	Gen.	Spec.
New England	47	44	43	45
Middle Atlantic	43	45	41	45
South Atlantic	35	35	34	34
East North Central	40	42	38	41
East South Central	42	—	33	—
West North Central	—	38	—	38
West South Central	—	37	—	38
Mountain	—	—	—	—
Pacific	38	43	38	43
National	41	41	38	41

*Average days outstanding



Sales fall in May . . .

SALES BY REGIONS (% change)	May, 1985 vs. April, 1985 Gen.	Spec.	Both	May, 1985 vs. May, 1984 Gen.	Spec.	Both	First 5 months of '85 vs. First 5 months of '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	-3	0	-2	-5	0	-3	+3	+8	+5
Connecticut	-8	—	—	-10	—	—	+1	—	—
Massachusetts	-6	-1	-3	-1	-1	-1	+6	+8	+7
MIDDLE ATLANTIC: NY, NJ, PA	+1	+6	+4	+4	+4	+4	+20	-1	+7
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	-3	-10	-6	+19	-14	+5	+20	+2	+12
Pennsylvania	+1	+4	+2	+7	+1	+4	+7	+7	+7
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	+3	+9	+6	-3	+1	-1	+3	+1	+3
SC. VA, WV									
Georgia—Florida	—	—	—	—	—	—	—	—	—
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	+1	+13	+8	-2	+14	+7	+4	+14	+10
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+6	+10	+9	-6	+6	+4	-6	+7	+4
Chicago	—	—	—	—	—	—	—	—	—
Michigan	-3	+20	+9	-3	+15	+7	—	—	—
Ohio	+6	+4	+5	+4	+11	+8	+8	+12	+10
EAST SOUTH CENTRAL: AL, MS, KY, TN	+3	—	—	+19	—	—	+20	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	-11	—	—	-14	—	—	+1	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	-5	-10	-9	-20	-15	-16	-11	-10	-10
Texas	—	-7	—	—	-13	—	—	-10	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	+25	—	—	-2	—	—	-4	—
PACIFIC: CA, OR, WA	-8	-10	-9	+10	-9	+4	+15	-3	+9
L.A.—San Diego	-8	—	—	+13	—	—	+12	—	—
Oregon—Washington	—	-13	—	—	-10	—	—	-9	—
U.S. TOTALS	-2	+4	+1	+1	+2	+1	+8	+4	+6

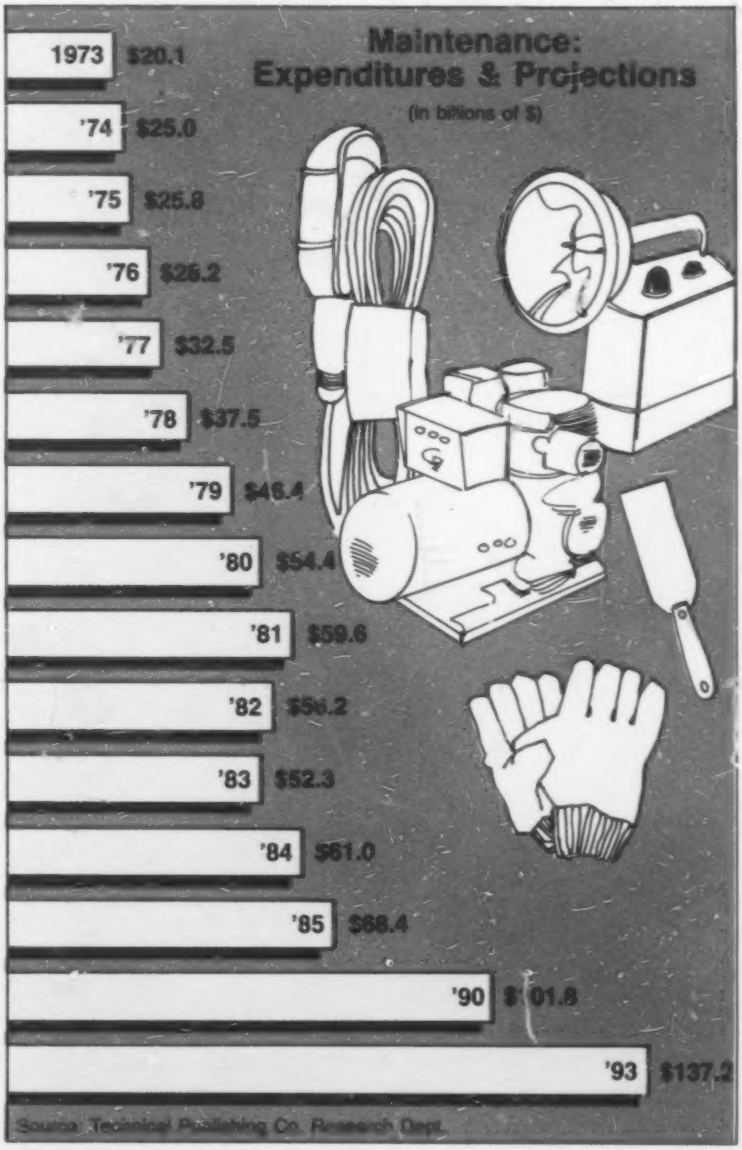
Maintenance Equipment & Supplies

The market: profit and potential

Anybody who has ever done household cleaning knows the number of supplies needed just to clean one home. When it comes to keeping a manufacturing facility in top shape, the amount of materials and equipment needed is staggering. More than $250 billion per year is spent on a plant's systems, services, equipment and maintenance. By 1993, the figure is expected to rocket to $542 billion (see chart). Single out maintenance and replacement and the 1984 tab is $61.0 billion; by 1993, it could reach $137.2 billion.

One 1985 economic outlook survey on maintenance and repair expenditures indicates that the outlook for maintenance/repair budgets is relatively higher in the non-durable goods manufacturing sector as compared with the durable goods sector. However, the durable goods sector recorded a higher percent of increase for capital expenditures, indicating that the durable goods sector is more likely to purchase new equipment rather than maintaining existing equipment. The survey also showed that 53% of the respondents planned to increase budgets; 35% planned to spend the same as in '84. The overall outlook is an average 9% increase, and average dollar expenditure is $6.9 million. On maintenance staff and training, 21% will increase the size of their staff; 64% will remain the same as '84, and 89% foresee a need for greater technical skills or training.

Another study indicates that total annual sales of the maintenance supply distributor has exploded during recent years. In 1981, a typical distributor firm did a total business of $582,000. By 1982, this had increased to $620,000 and by 1983 it had further expanded to $735,000. ☐



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Industrial Distribution

© TECHNICAL PUBLISHING

September 1985

Hotline:
Domestic suppliers
reduce prices
to combat
lower-priced imports

Compensation:
focus on rewards

LONDON
KAYPRO
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SHOWCASE
Specialty Tools & Fastener
(PULL-OUT SECTION)

ID Industrial Distribution

VOL. 74 NO. 9/74th yr. A TECHNICAL PUBLISHING PUBLICATION SEPTEMBER 1985

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SPECIALTY TOOLS & FASTENERS SHOWCASE

Distributor Product Showcase

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INDUSTRY NEWS

New trade association studies shed light on industrial distributors

NEW YORK—Four of the leading trade associations have recently issued reports. They include the NIDA/SIDA *1985 Distributor Productivity Report;* ASMMA's *An Evaluation of Industrial Purchasing and Distribution Trends;* STAFDA's *Operating Performance Report* and the PTDA's *1985 Marketing Report.*

According to the NIDA/SIDA study, sales for 1984 were up by 21.5% over 1983 for those distributors reporting. In addition, inventory turns rose to 2.8 times from 2.3 and accounts receivable dropped from 45.5 days to 42.7.

Despite this large sales increase, the report says that return on investment while rising to 7.6% from 3.9% the previous year, was still less than half of the 16.4% reported in 1979.

Personnel productivity, presented as a ratio of payroll to gross margin, improved only slightly from 61.9% in 1983 to 58.5% in 1984.

"The most fruitful area of improving profitability," noted the report, "is in the reduction of payroll expense," adding that if the goal of not allowing payroll to exceed 50% of gross margin had been met, net profit before taxes would have been 14.5% of gross margin instead of 5.7% as reported and return on investment would have been more than 15%.

ASMMA's report on MRO trends states that the early 1980's marked a significant change in the emphasis of plant MRO purchasing improvements. "Prior to that," says the study, "improvements in MRO purchasing focused on obtaining lower prices from suppliers." By 1980, purchasers began to realize that other benefits were possible including:

- Shorter delivery time
- Reduced inventory levels
- Better management and control of vendors.
- Reduction of management time devoted to MRO.
- Fewer errors, faster turnaround time.

"By far the most important ongoing trend in MRO purchasing is the systems contract," says the report. "Approximately 45% of the end-users interviewed in this study have systems contracts in place with an additional 37% either in process or expected in the future."

The report also noted that while *Just in Time* and *Material Requirements Planning* offer considerable benefits, "most industrial purchasing managers felt these programs were limited to products which were highly scheduled and closely tied to production volumes. They were felt to be unsuitable for the highly variable volume requirements of plant MRO products, even those with relatively high usage."

The Specialty Tools & Fasteners Distributors Assn. (STAFDA) report analyzes data from the year 1984 which, the reports points out, "was an excellent business year for most distributors. Nearly every ratio showed a strong improvement over 1983. As a matter of fact," says the report, "most of these numbers were the best we've seen in the 1980's."

The Power Transmission Distributors Assn. (PTDA) Marketing Report is based upon responses to 34 questions from 147 PTDA members, 51% of the organization's

[continued on page 12]

STAFDA five-year trend averages

	1984	1983	1982	1981	1980
1. Percent of Sales Increase	27.3%	19.2%	−1.9%	5.3%	5.6%
Average Dollar Sales Volume ($ Thousands)	$3,477	$3,256	$2,927	$3,000	$2,757
2. Gross Profit (% of Sales)	36.0%	35.0%	35.3%	37.0%	33.9%
3. Sales Per Employee ($ Thousands)	$132.9	$130.9	$134.4	$122.1	$118.9
4. Gross Profit Per Employee ($ Thousands)	$45.1	$43.1	$43.8	$46.9	$41.1
5. Net Profit BEFORE Taxes To Net Sales (%)	4.0%	2.7%	2.1%	4.4%	4.7%
6. Net Profit AFTER Taxes To Net Sales (%)	3.0%	2.2%	1.5%	2.7%	3.2%
7. Inventory Turnover (times)	4.4	4.1	3.7	4.4	4.1
8. Return on Net Worth (%)	25.5%	15.9%	11.0%	18.2%	17.9%
9. Current Ratio	3.0	2.8	2.9	2.6	1.8
10. Bad Debt Losses (% of sales)	.5%	.3%	.6%	.6%	.5%
11. Change in Inventory Level (%)	12.7%	17.1%	1.1%	13.9%	20.6%
12. Accounts Receivable—Days Outstanding (Accounts Receivable % TOTAL Sales per Day)	43 days	43 days	40 days	40 days	43 days

Where to obtain reports

NIDA/SIDA members can obtain personalized productivity reports comparing their results with those of the report's respondents by requesting a *participation form* from NIDA and sending it together with $75 to George C. Webster & Assoc.; P.O. Box 1048; Beaufort, SC 29901. NIDA/SIDA members can obtain copies of the report for $75 and non-members for $150 from NIDA at 1900 Arch St.; Philadelphia, PA 19103.

ASMMA's MRO report, available only to ASMMA, NIDA and SIDA members, may be obtained from ASMMA; 1230 Keith Bldg.; Cleveland, OH 44115.

Information on the STAFDA report can be obtained from the organization at: P.O. Box 44; Elm Grove, WI 53122.

The PTDA report is available to members for $15 and to non-members for $35. For additional information contact the association at 100 Higgins Rd.; Park Ridge, IL 60068.

INDUSTRY NEWS...

[continued from page 7]
total distributor members.

Among the findings reported by the PTDA report are:

- Distributors almost evenly divide their sales efforts between purchasing and maintenance (38.9% and 37.4% respectively) with engineering receiving 22.6% of the distributor's selling time.
- When asked about expected annual growth over the next five years, the largest percentage (39.7%) predicted growth of between 6–10% with the second greatest number (30.1%) expecting to see 11–15% growth.
- Of the 74.8% of the firms reporting that they offer cash discounts, 62.3% said they offered 1% discounts while 33.9% offered 2%. ☐

Le-Hi, Andrews, and Parker rights bought by Dixon Valve

CHESTERTOWN, MD—Dixon Valve & Coupling Co. headquartered here has announced the purchase of Le-Hi Industrial Hose fittings, Andrews Cam & Groove Coupling inventories and products rights of Parker Fluid Connectors Hose Accessories Div.

The products will be added to Dixon's line of hose fittings and accessories that are sold by more than 5000 industrial distributors. ☐

Nolan D. Archibald named to presidency of Black & Decker

TOWSON, MD—The Black & Decker Corp. has announced that effective September 9, Nolan D. Archibald will become president, COO and a director of the company.

At the same time it was announced that Laurence J. Farley, the company's president and CEO since 1983 will become chairman of the board and CEO.

Archibald began his career with Conroy, Inc., a consumer products company, and held a series of marketing and general management positions there before joining Beatrice Companies Inc. in 1977.

At Beatrice he served as corporate senior vice president and president of the Consumer Durables Group.

He is a graduate of Utah's Weber State College and the Harvard Graduate School of Business. ☐

Archibald

[continued on page 15]

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4
BOB
6
RANDY
PHILLIS

Durable offers you a terrific line of dock bumpers, wheel chocks, wall and corner guards, and mats for industrial, commercial and institutional sales ... plus important extras you expect from a supplier. Our team of professionals stand behind everything we make or handle. We take your phone orders. Answer your questions. Provide for fast delivery. And assist you in a variety of ways. It's our personalized, friendly way of doing business, and we'd like to go to work for you. Call today! Toll Free 1-800-537-1603. In Ohio call collect 419-668-8138.

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- Dura-Chock laminated wheel chocks
- Molded dock bumpers and wheel chocks
- Extruded rubber corner and wall guards
- Durite tire-line floor mats
- Anti-fatigue, grease-resistant matting
- Vinyl-sponge, anti-fatigue matting
- Carpet mats and matting

Write in No. 10

million cash purchase is expected to be completed this month or next.

Schrader Bellows, a manufacturer of pneumatic valves, filters, regulators, lubricators and automation and control equipment, had sales of $114 million in 1984. The company has manufacturing facilities in Ohio, North Carolina and Pennsylvania as well as manufacturing and sales facilities in 17 foreign countries.

Commenting upon the impending acquisition, Paul G. Schloemer, president and CEO of Parker Hannifin said that Schrader Bellows "would augment Parker's broad line of hydraulic and pneumatic products."

Parker Hannifin, whose fiscal 1984 sales were $1.3 billion, produces fluid power systems and components for industrial, automotive, aviation, space and marine markets. ☐

Texas A&M receives three endowments for industrial distribution

College Station, TX—Texas A&M University has announced the establishment of three endowed professorships in its industrial distribution program valued at a total of $1.2 million.

Rader

Dr. Don Rice, interim department head of the school's Department of Engineering Technology called the three gifts—the I. Andrew Rader Professorship in Industrial Distribution, the Allen-Bradley Professorship in Factory Automation and the J. R. Thompson Professorship for Research in Industrial Distribution—welcome gifts.

"These professorships will provide income that will allow teachers to spend a larger portion of their time developing knowledge in their fields and will be a source of funds for research, curriculum and professional development," commented Rice.

Thompson

The I. Andrew Rader Professorship was created by the Allen Bradley Foundation to pay tribute to the chairman of the Board-of-Trustees and Executive Committee of Allen Bradley Co.

The Allen-Bradley Professorship in Factory Automation is being established to support research and teaching in that specialty. The company, which produces industrial automation controls and systems, electronics components, magnetic materials and precision moldings, became part of Rockwell International earlier this year.

The J. R. Thompson Professorship is in honor of the president of Warren Electric Co., a Houston industrial distributor.

Thompson was previously recognized by Texas A&M in 1980 when a building housing laboratories, offices and classrooms for engineering technology was named J. R. Thompson Hall. ☐

Thorn Pendleton former Warren Tool CEO dead at 77

Warren, OH—Thorn Pendleton, retired chairman of the board and CEO of the Warren Tool Corp. headquartered here, died on June 6. He was 77 years old.

Pendleton and his brother-in-law bought the former Warren Tool and Forge Co. in 1932 and developed it into the Warren Tool Group which became the Warren Tool Corp. ☐

Indicators . . .

After several euphoric months when all three major indices showed simultaneous upturns, the current figures are somewhat disappointing as two of the three declined from the previous month. The NIDA/SIDA *Industrial Distribution Index* for June lost 8.1 points from May to 144.1 on a national basis. This compares with 141.9 in June '84. All regions showed losses with the East the big loser by 13.1 points from May. The Midwest, West and South dropped 6.3, 11.2 and 6.3 points respectively . . . SIDA's *Monthly Sales Trend Report* for May indicated a drop of 3.39 from April. Although this figure represents a 2.78 increase on a 1985/1984 year-to-date basis, May '85 compared to May '84 registers a loss of 1.24. Regionally, SIDA Area I comprising NC, VA, and WV, suffered least with a drop of only 1.17 while Area IV (AR, LA, OK, TX) was hardest hit with a 7.66 decline. Region II (FL, GA, SC, Puerto Rico) was off by 3.49 while Region III (AL, KY, MS, TN) fell 3.12. . . . The one bright spot in the "Big Three" was ASMMA, whose *New Order Index* rose 3.2 points in May over April for a scant 2.7%. The new figure of 121.8, while the highest seen in 1985, was exceeded in four of the 12 months of 1984. . . . The American Machine Tool Distributors' Assn. (AMTDA) *Distributor New Orders* for May eased slightly from April dropping by 2.6 points to 65.5 for a loss of 3.8%. May '85 vs. May '84 shows a decline of 1.0% . . . The National Assn. of Aluminum Distributors *Quick Pulse Service Center Index* of monthly shipments showed a small decline of 3.7 points in May to 106.7, the second month in a row the Index has fallen. In comparing May '85 with May '84, an 11.5 point loss results . . . The National Welding Supply Assn. (NWSA) *Welding Supply Index* dropped 3.7 points in May to 209.3. While three of the four components which make up the index—gas, expendables and other supplies—fell only marginally, the bulk of the loss was caused by equipment sales which dropped by 27 points. Despite this month's decline, 1985/1984 YTD is still up by 16.8% and the Index is 27.7 points ahead of May '84.

REGIONAL REPORT

Sales sluggish in June

June sales have stalled out at May's level, holding to a slight gain of 1% over June '84. But month-to-month indicators have turned solidly negative which usually indicates further slippage in national sales figures.

In national regional reporting for June, New England was the most negative, dropping 4%, while Pacific was the only positive region, gaining 13%. All areas were in the minus column except Connecticut and Wisconsin, which gained 1% and 3% respectively. Michigan's drop of 8% was the most negative.

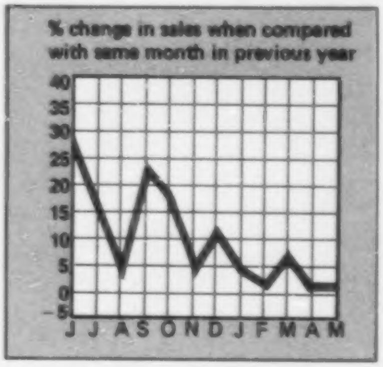
In month-to-month reporting, all areas and regions were negative, June '85 compared to May '85. East North Central was off 11%, the most for any region, while Georgia-Florida, Wisconsin and Michigan were all down 11%, the steepest in area reporting. The best region in this category was Pacific, down 2%; the best area, Pennsylvania, down 3%.

Cumulative figures were steady and similar to last month's with the first 6 months of this year 7% higher than the first six months of '84. To date, the best region was Pacific, up 9%; the best area, Massachusetts, up 12%. The weakest region was South Atlantic, up 2%; the weakest area, Connecticut, up 4%. Opposite to the weight given month-to-month figures, cumulative figures are the slowest register of economic trends.

In receivables, a slight slippage is evident with average days outstanding for both general liners and specialists at 42 days. Last month, both figures stood at 41 days. ☐

RECEIVABLES*	June '85		vs. June '84	
	Gen.	Spec.	Gen.	Spec.
New England	48	49	47	47
Middle Atlantic	48	46	46	45
South Atlantic	36	37	35	36
East North Central	39	40	38	41
East South Central	—	—	—	—
West North Central	—	39	—	40
West South Central	—	—	—	—
Mountain	—	—	—	—
Pacific	41	43	38	42
National	42	42	41	42

*Average days outstanding

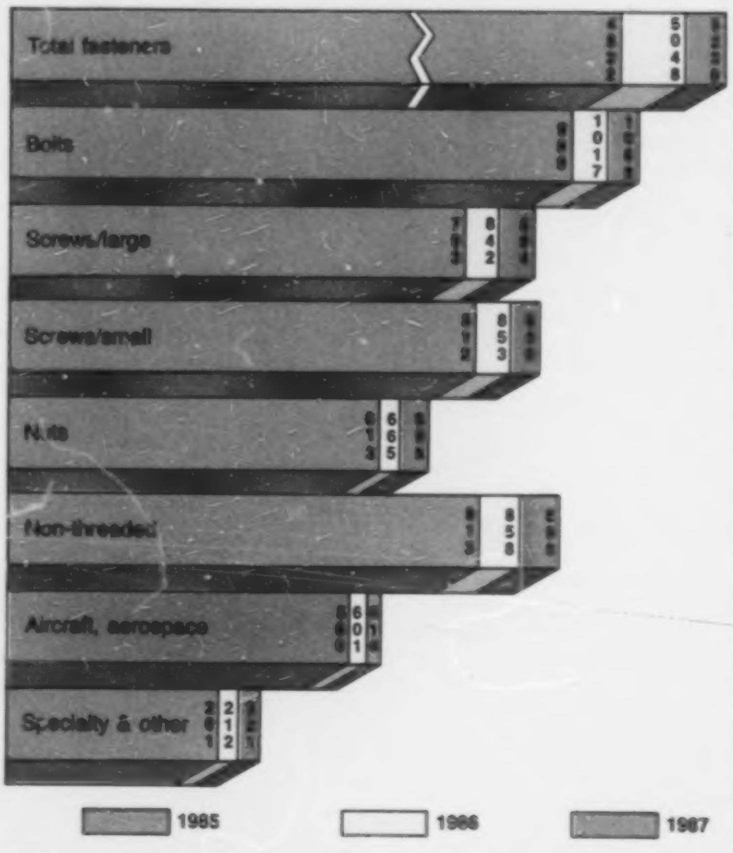


June sales remain at low point . . .

SALES BY REGIONS (% change)	June, 1985 vs. May, 1985 Gen.	Spec.	Both	June, 1985 vs. June, 1984 Gen.	Spec.	Both	First 6 months of '85 vs. First 6 months of '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	−7	−1	−4	−6	−2	−4	+1	+15	+7
Connecticut	−5	0	−4	−1	+4	+1	+1	+13	+4
Massachusetts	−10	−1	−4	−3	−3	−3	+4	+15	+12
MIDDLE ATLANTIC: NY, NJ, PA	−3	−7	−5	+2	0	+1	+8	+7	+7
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	—	—	—	—	—	—	—	—
Pennsylvania	+2	−10	−3	+2	−7	−2	+6	+5	+6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC,	−9	−9	−9	−3	+2	−1	+2	+3	+2
SC, VA, WV									
Georgia–Florida	−11	−11	−11	−12	−1	−6	+9	+3	+5
EAST NORTH CENTRAL: OH, IN, IL, MI, WI	−9	−13	−11	−2	−2	−2	+4	+12	+8
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	−3	−12	−11	+3	+3	+3	−3	+11	+8
Chicago	—	—	—	—	—	—	—	—	—
Michigan	−21	−4	−11	−7	−8	−8	+3	+19	+11
Ohio	−8	—	—	0	—	—	+8	—	—
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	−4	—	—	−2	—	—	+1	—
WEST SOUTH CENTRAL: AR, LA, OK, TX	—	—	—	—	—	—	—	—	—
Texas	—	—	—	—	—	—	—	—	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	+5	−6	−2	+28	−17	+13	+15	−6	+9
LA–San Diego	+4	—	—	+25	—	—	+14	—	—
Oregon–Washington	—	−3	—	—	−16	—	—	−8	—
U.S. TOTALS	−5	−9	−7	+4	−3	+1	+6	+7	+7

Specialty Tools & Fasteners

The market: an open end



Estimated fastener consumption 1985–1987
($ in millions)

- values rounded, totals may differ
- tables and some statistics excerpted from studies by Frost & Sullivan, Inc. For more information on complete studies, write Customer Service, Frost & Sullivan, 106 Fulton St., New York, NY 10038.

Distributors of specialty tools and fasteners work in a constantly changing marketplace. While today's engineered fasteners bring sophisticated performance to most fastener applications, along with significant marketing potential for distributors, the competition from foreign imports has never been keener. And specialty tools, like hand tools and power tools, are greatly influenced by the many different cycles of customer demand.

Although imports from foreign producers of fasteners have increased the past few years, distributor sales have not been hurt by this change. The increasing demand in the marketplace for varieties of fasteners has enabled distributors to use to advantage this influx of foreign products by becoming a greater source of supply for the end user. As ***ID*** reported in a previous article on fasteners: "Around 15 years ago, it's estimated that only 15–18% of the industrial fasteners sold in the U.S. flowed through distributors; the rest went direct from supplier to user. Today, reflecting industry's mounting recognition of the distributor's influence in the marketplace, current estimates indicate that at least half of the fasteners sold in non-consumer markets flow through distribution."

According to Business Trend Analysts, Inc., a Long Island-based research firm, the overall fastener industry will continue to face competition in the area of standard fasteners. But U.S. manufacturers are incorporating laser technology in the production of special fasteners, a move which is said to be the major strength of the U.S. fastener manufacturers in countering import competition in the coming decade.

A report provided by Frost & Sullivan, Inc., a New York-based business research organization, indicates that the estimated fastener consumption from 1985 to 1987 for specialty and other fasteners (see graph) will increase from $201 to $221 million. This category includes inserts, clips and other non-conventional fasteners. Business Trend Analysts forecasts real growth for the industrial fastener to average 2.7% per year, with 1994 sales totalling $9.2 billion. The report also projects growth in demand for heavy-duty bolts, drywall screws, self-drilling fasteners, masonry fasteners and roof fastening systems, generated primarily by the changes in construction and mining industry requirements.

As total new construction in the U.S. increases over the next few years, so will sales of specialty tools. Frost and Sullivan, Inc. projects construction sales of portable electric tools, including drills, circular and jig saws, screwdrivers, hammers, impact wrenches, grinders, sanders and other electric tools to reach $479 million by 1990 (see graph). Sales of pneumatic tools, including drills, screwdrivers, percussion tools, impact wrenches, grinders/sanders/polishers, plus parts and accessories, could total $55 million by 1990. Standard velocity and low velocity powder actuated tools are projected to reach $29 million by the same year.

Past and projected sales of power tools to construction industry

($ in millions)

	1980	1990
Electrical	$218	$479
Pneumatic	29	55
Powder actuated	14	29

In particular, the construction market provides unlimited opportunities for the distributor of specialty tools and fasteners. On any one construction site, for example, there could be dozens of subcontractors in need of their own specialized equipment to accomplish specific tasks. It's also possible to sell several of the same tools to different workers, all located at one site.

The distributor's goal in selling specialty tools and fasteners is to know his particular markets and to have the product knowledge to sell. Besides construction, many other industries and markets are users of these products, including the automotive and aircraft/aerospace industries. Frost and Sullivan, Inc. projects total fastener consumption for the automotive industry to expand from $1.266 billion in 1985 to $1.428 billion by 1987; total fastener consumption for aircraft/aerospace industries, however, will decrease from $614 million in 1985 to $580 million by 1987 due to other assembly methods such as adhesives and laser cutting and joining equipment. The opportunity to sell power tools, especially pneumatic tools, can also be found in the automotive service market. Since the majority of repair shops and automobile mechanics use air tools in their profession, the market for these products could reach close to $159 million by 1990; sales of pneumatic tools to this industry were $65 million in 1980. ☐

Now! Top Quality BELZER HAND TOOLS Available in U.S.

Opportunity for Top-Flight Distributors

Belzer hand tools — long known in Europe for premium quality — are now available for the U.S. market. Belzer offers a complete range of hand tools and wrenches for product assembly and maintenance operations in areas such as electronics, aircraft, transportation equipment, light and heavy industrial machinery, plus tools for plant facility maintenance and repair.

Belzer is actively seeking first line industrial distributors throughout the U.S. to sell and distribute this fine line of hand tools. Belzer is prepared to build up inventory to match the selling capabilities of distributor organizations. For full details write to Belzer division of Saarberg Intertool, 3650 N. 126th Street, Brookfield, WI 53005, attention Peter Welbers. Telex 260-346.

BELZER

Write in No. 39

MECHANIC'S HAND TOOLS:
PRODUCT SHOWCASE REVIEW

One year after *ID*'s Product Showcase, industry leaders see a flattening out of business from the torrid pace of last year but expect to see a resurgence of activity during 1986

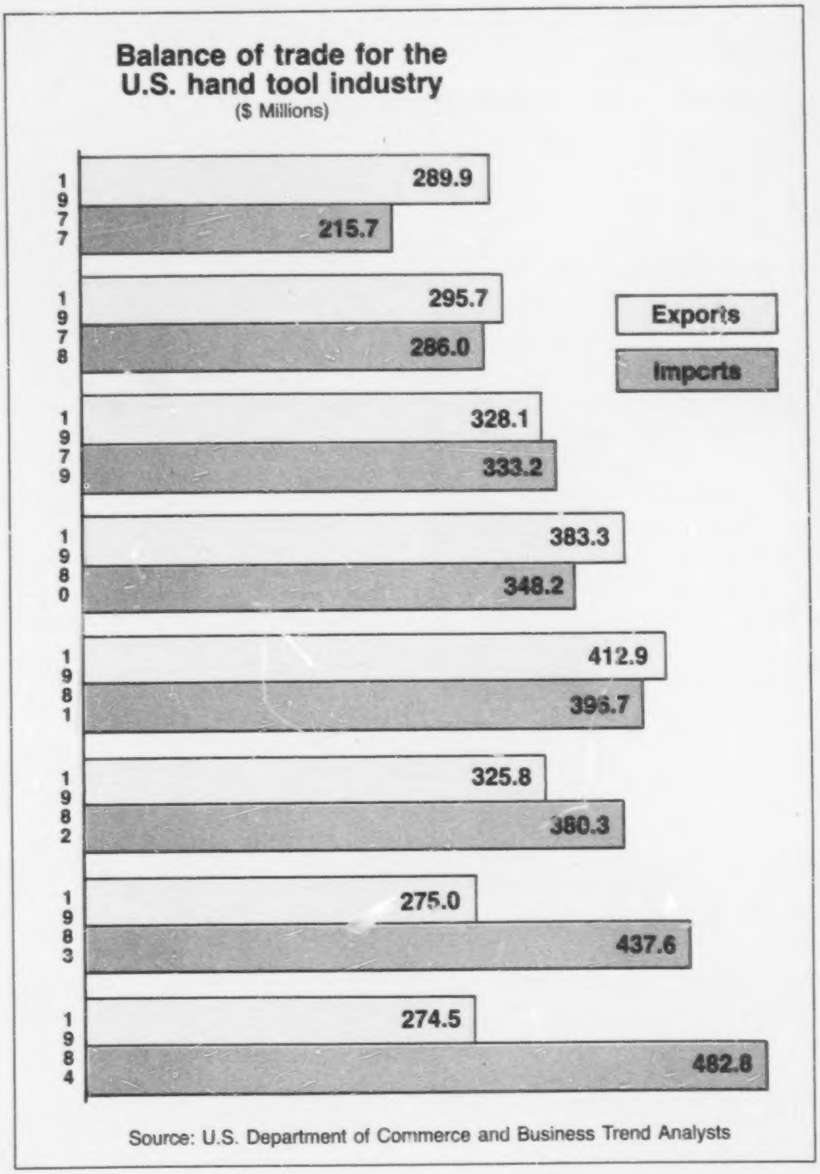
Industrial Distribution
Distributor Product Showcase
A merchandising guide for...
MECHANIC'S HAND TOOLS

Mechanic's hand tool design has changed very little over the course of the years. The wrench that a production employee uses to tighten a nut on the newest supersonic jet fighter varies insignificantly from the wrench used by a production worker to assemble the Model-T Ford in 1910.

And yet the degree of specialization of individual tools has grown geometrically. Manufacturers today offer literally hundreds of variations of the standard and Phillips-head screwdriver; dozens of types of pliers; tens-of-dozens of wrench styles.

And the applications for the professional hand tool have evolved, too. As a result of the decline of traditional markets including the "oil patch" of Texas and Oklahoma, the weakening of agriculture and the softness of the steel market, toolmakers have sought out new areas of sales. Today these include aerospace, telecommunications, computers, and other mid-to-high tech industries.

Mechanic's hand tools: Product showcase review . . .



Balance of trade for the U.S. hand tool industry
($ Millions)

Source: U.S. Department of Commerce and Business Trend Analysts

Business Trend Analysts, a Commack, NY research organization has estimated that 1984 mechanic's hand tool sales, including automotive tools, totaled more than $1.69 billion in 1984, an increase of more than $239 million over 1983.

Industry sources credit 1984 with being an excellent year. The question mark in their minds is how 1985 and beyond will fare as traditional markets erode, imports *seem* to have peaked and the fluctuating value of the dollar against other major currencies causes speculation about the pricing of U.S. goods against offshore products.

While many feel that the worst is over in terms of the massive influx of inexpensive tools that caused such a competitive stir in the last few years, experts are taking a "wait and see" attitude.

Richard Byrne, executive director of Tarrytown, NY-headquartered Hand Tools Institute (HTI), for example, says "The hand tool industry follows the ups and downs of the business cycle and the concensus forecast seems to be now that '86 is going to be a little stronger and likewise we expect hand tools to be stronger."

Discussing the past year, Byrne says that "Orders have flattened out and that's a sign of what's been happening in the general economy.

And the president of the Hand Tools Institute, H. Arthur Bellows Jr. who is also chairman and president of the Triangle Corp. of Stamford, CT says: "Our view of the whole industry is that it's going to be a tough market through the end of '85. "Then we believe it's going to get substantially better as we move into 1986.

"The bottom line is that we see the last half of 1985 to be more difficult than the first half which in general has not been great in the industrial market."

Bellows reports that overall the first six months of 1985 were from 3–5% better than 1984 but adds [illegible] "if you add in inflation, that would probably make it about even."

In terms of units sales of hand tools as opposed to dollars, Bellows sees the latter half of 1985 actually declining by 4–5%. He points out, however, that the industrial hand tool market in 1984 "was a very good year, particularly in relation to 1982 and 1983."

Siobhan Mulroy, associate director of research with Business Trend Analysts says that her firm is predicting 1–2% growth in 1985 by domestic hand tool manufacturers.

"We see auto mechanics tools as increasing substantially," said Mulroy, "as companies continue to maintain fleets of cars and the average age of the automobile increases."

In the ranking of tool sales by distributors, Mulroy reports that wrenches are the leading sellers while hammers, pliers and screwdrivers follow in order of importance.

Mulroy says that high-tech industries may change the demand for hand tools. "As the electronic market progresses," she notes, "I see more specialized tools made for that market. Right now wire cutters and long-nosed pliers are being heavily used in electronics for assembling printed circuit boards. And if the market keeps expanding at its current rate, electronics is going to be one of the largest growth areas for hand tools in the near future," Mulroy says.

HTI's Byrne confirms that socket wrenches, pliers and screw drivers are the leading sellers among its members. Speaking of imports, Byrne says that inexpensive hand tools, made primarily offshore, are still a cause for concern to domestic manufacturers.

"While the pressures are increasing in the industrial market," says Byrne, "the U.S. manufacturer seems to be holding his own."

Bellows agrees that electronics is the wave of the marketing future as far as hand tools are concerned. "Telecommunications has been for the last few years and continues to be right through 1985, a very strong segment for the industrial market of hand tools," says Bellows.

Mechanic's hand tools . . .

"And the additional elements of defense, aircraft, and electrical contracting have been strong but when you shift away and get into basic industries, which are only operating at about 80%, you've got some real slowdown in what I would call the standard 'smokestack' kinds of people whom we also serve.

"But electronics has really been the engine of growth in the industrial hand tool business for the last three or four years," stresses Bellows, adding that since March of 1985 there has been what he called "a dramatic softening" in the electronics market segment which he says "has just dropped off a cliff and you've seen that in the semiconductor results and you've seen that in the computer industries and in peripherals supporting that industry. That's been the really unpleasant surprise of 1985," Bellows emphasizes.

Another industry expert who is taking a cautious attitude toward the next 12 months is Thomas McKane, executive vice president-marketing for The Ridge Tool Co.

"We look at the next year with a great deal of uncertainty," says McKane. "Right now we see business continuing along on a fairly high plateau that it's been on for the last year or so and we see no signs immediately of that plateau eroding or of falling off, but we don't see any substantial growth," he asserts.

"In fact," he continues, "we see some great uncertainties. We are very concerned that the plateau may precipitously fall off or that business could dry up. We see some of the consumer oriented companies having rough times in 1985, we see all this mounting concern about the Federal deficit and what is going to become of that and it scares us. We're greatly concerned about what lies out there perhaps six months out. But right now business is good and steady."

Does he see any growth at all? "Yes," replies McKane, "somewhere in the 2–5% range."

Discussing the relationship between imports and the recent decline in the value of the U.S. dollar against other currencies McKane points out that "any sliding of the U.S. dollar that's taken place in the last 60 days or so, or that's likely to take place in the next 100 days really isn't going to change the import situation when you look at where the dollar has come from over the last three or four years.

"When it's been up 30–40%, coming back down five or ten percent isn't going to make that much difference," he states.

Regionally, Ridge's distribution patterns have shifted as various aspects of the economy have changed over the years. "Not only were we supplying the oil fields when they were booming in 1981 and 1982 but there were substantial exports out of places like Houston to overseas oil fields," says McKane. "There was a whole lot of material going out of Houston to oil fields all over the world and many of those big oil field supply houses down in Texas had a lot of export business to Mexico for the Mexican oil fields and that's all dried up."

Wright Tool Co's. vice president for sales and marketing, Mike Gilroy, agrees that sales will be flat. "In the last 18 months, business has been very, very good," says Gilroy, "but it's starting to slow down a little bit and level off. The plus side is that availability of tools should be excellent," he notes.

"I see a future trend of manufacturers only making what they're very good at. They'll be paring down the lines of what they actually manufacture and they'll buy out the rest," says Gilroy. "I also think we'll see a little bit of increase in the sales of the larger tools—wrenches with ¾" and 1" drives—as well as large pipe wrenches, and large adjustable wrenches, to service industrial and construction customers.

"As far as imports go, I don't see sales increasing much or greater market penetration, either," Gilroy states.

"Imports already have taken away the heart of the line items which is only a certain percentage of the total anyway. Unless they're willing now to branch out into some of the smaller dollar volume areas which they haven't done up to this point, they are not going to grow much. But the major emphasis is that you're going to see Japan and Taiwan losing market share to Korea and Red China," he points out.

HTI's Bellows also reports that perhaps the threat of imports as far as industrial quality hand tools are concerned has been overstated. "Anyone would be a fool to say that imports don't have some impact but, relatively speaking, if you were going to select three basic channels of hand tool distribution, industrial hand tools have had the least impact by far. Part of that is some of the smaller offshore companies are just not designing and manufacturing the tools to meet the kind of demands for industrial applications," Bellow explains.

In summary, the concensus of the mechanic's hand tool experts surveyed by ***ID*** seems to be that sales should be relatively flat through the end of 1985 with some renewed vigor evident in 1986. Imports may have peaked as a total percentage of the hand tool market but the coming year should see new players entering the import game and trading market share among themselves. And, finally, the future may belong to the specialist who finds his niche, develops it in depth and then markets it for all he is worth.

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U.S. manufacturers sales of mechanic's hand tools by major product categories

(given in millions of dollars)

	1967	1972	1977	1982	1983 (BTA estimates)	1984 (BTA estimates)
TOTAL of all products	$391.5	$601.2	$1070.2	$1358.5	$1467.2	$1691.7
pliers	46.1	50.9	63.5	99.9	95.9	135.3
ball peen hammers	4.9	6.8	9.6	7.7	7.4	8.5
wrenches	136.9	230.7ᴱ	392.7	716.7	790.8	888.1
screwdrivers	38.3	45.2	87.3	117.1	129.1	147.2
automotive jacks	24.5	39.1	69.1	38.2	47.0	65.9
automotive tools	117.9	195.3	201.2	134.6	139.4	153.9
other tools			220.5	238.7	252.4	282.5
tools not specified	22.9	33.2	26.3	5.6	5.8	10.2

E = estimated Source: Business Trend Analysts

The table on the left illustrates the relative growth rates of some of the most popular mechanic's hand tools sold by industrial distributors.

While pliers and screwdrivers have increased in dollar volume by 293% and 384% respectively between the years of 1967 and 1984—the last two years being estimated by BTA—wrenches have grown from $136.9 million in 1967 to an estimated $881.1 million in 1984 for a 648% increase or nearly twice the combined average of pliers and screwdrivers.

Even taking into account the effect inflation has had on the hand tool market, wrench sales have clearly outperformed the rest of the market and show no signs of abating as electroncs, aerospace and other *high tech* industries more than take up the slack left by the decline of the so-called smokestack industries.

Hand tool experts say that despite the inroads automation and robotization have made on manufacturing, the future of tools designed for the human hand looks brighter than ever.

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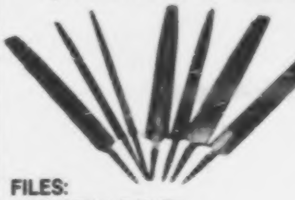

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Industrial Distribution

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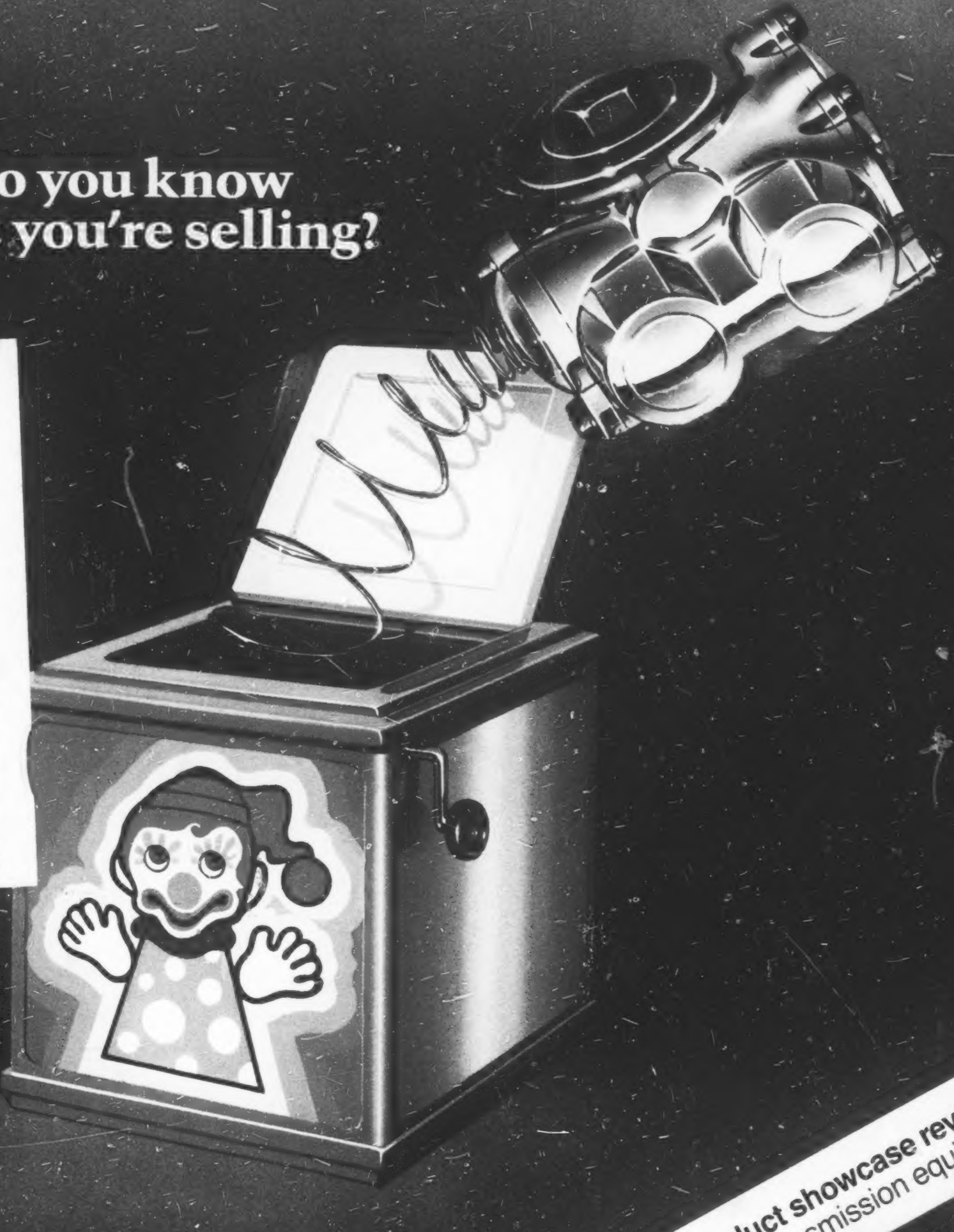

Product showcase review
Power transmission equipment

ID Industrial Distribution

VOL. 74, NO. 10/74th yr. A TECHNICAL PUBLISHING PUBLICATION OCTOBER 1985

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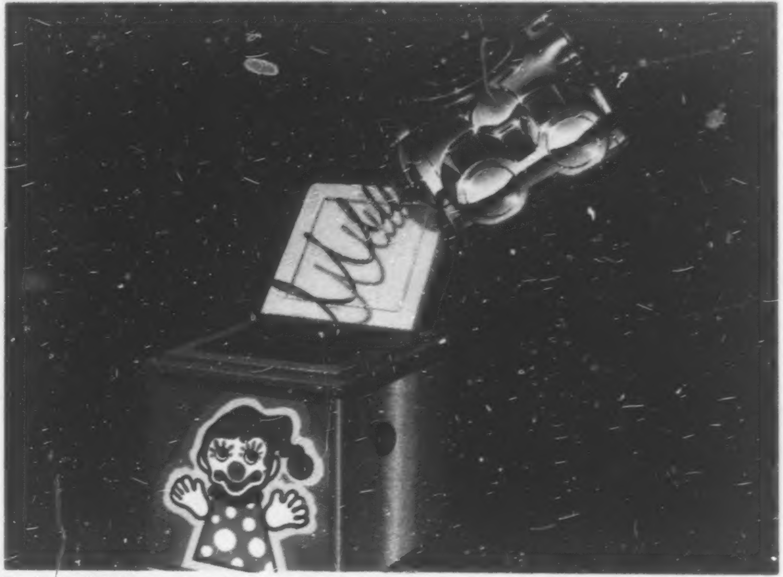
41 COVER STORY
DO YOU KNOW WHAT YOU'RE SELLING?



Today's distributor needs to know not only what he is selling but to whom he is selling.

Cover illustration: Terry Ryan

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INDUSTRY NEWS . . .

1985 spending on health and safety to increase 25.4%

NEW YORK—U.S. industry plans to spend $7.7 billion on safety and health in 1985, a 25.4% increase over 1984 levels, according to the *13th Annual McGraw-Hill Survey of Investment in Employee Safety and Health*.

While the increase is sizable, it just falls short of 1984 spending on safety and health that amounted to a 26.3% increase over 1983 or $6.2 billion. More significantly, the McGraw-Hill study found that the 400 companies taking part in the survey projected 1985/1986 spending growth at a miniscule 0.1%.

Although the *rate* of increase of *total* business spending on safety and health capital equipment in 1985 is not expected to exceed that of 1984 by more than 1%, the breakdown of spending by individual industries is seen as changing significantly.

Manufacturers, for example, who slashed safety and health expenditures by nearly 15% in 1984 report that they plan to increase such spending by 18% in 1985 to $3.5 billion. And despite the 88% increase in spending by nonmanufacturing industries last year, these companies say that their expenditures will grow by another 32.5% in 1985.

Safety and health expenditures for durable goods manufacturers, broken down by categories of products, are given below for 1984-1986. *All figures are in millions of dollars.*

Plans for investment in employee safety and health

(Millions of Dollars)

INDUSTRY	1984 ACTUAL	1985 PLANNED	1984–85 % CHANGE	1986 PLANNED	1985–86 % CHANGE
Iron & Steel	4.2	4.7	12.5	4.9	4.6
Nonferrous Metals	40.4	40.7	0.8	168.2	313.3
Electrical Machinery	218.9	230.3	5.2	180.8	−21.5
Non-Electrical Machinery	726.0	878.3	21.0	942.7	7.3
Autos, Trucks & Parts	27.4	46.9	71.3	36.1	−23.0
Aerospace	63.3	41.5	−34.4	40.5	−2.5
Fabricated Metals	51.8	46.7	−9.8	49.5	5.9
Instruments	90.9	131.1	44.1	142.0	8.4
Stone, Clay & Glass	80.8	106.7	32.0	104.7	−1.9
Other Durables	110.6	114.3	3.4	119.4	4.5
TOTAL DURABLES	1,414.3	1,641.3	16.1	1,788.9	9.0

Uniroyal realigns power transmission marketing personnel

MIDDLEBURY, CT—The Uniroyal Power Transmission and Engineered Rubber Products Div. has realigned managerial responsibilities in its power transmission marketing organization.

Dr. A.W. Stoner, divisional vice president and general manager, announced the appointment of Norman Bash as product manager, power transmission products; Peter Batchelar as sales manager, private brands and automotive products; Jack Leitner, national accounts sales manager and Paul Lynch, national sales manager. All four men will be located at the divisional headquarters here.

Commenting on the recent personnel changes, Stoner said, "The realignment of our power transmission marketing and sales organization is only part of our overall plan to improve our competitive edge.

"We've also increased funding of research and development and have added manufacturing capacity. The combination of these steps will reinforce Uniroyal's position as a worldwide leader in synchronous belt power transmission systems."☐

Mather Co. purchase by Federal-Mogul approved by FTC

SOUTHFIELD, MI—Federal-Mogul has announced the completion of its acquisition of The Mather Co. following approval by the Federal Trade Commission.

According to Federal-Mogul chairman and CEO, Thomas F. Russell, the purchase of the Ohio-based manufacturer of sealing products and vehicle stabilizers and torsion bars was completed on July 29. The purchase price was not disclosed.

Mather, which has facilities in East Jordan and Milan, MI and Toledo, OH, recorded 1984 sales of about $30 million and employs more than 300.☐

G. Thomas McKane named president of Ridge Tool

ELYRIA, OH—G. Thomas McKane, Jr. has been appointed president of The Ridge Tool subsidiary of Emerson

McKane

INDUSTRY NEWS . . .

Bearing Distributors Inc. acquires Bearing Service Co.

CLEVELAND, OH—Bearing Distributors Inc., headquartered here has recently expanded distribution into IA, WI, IL, and WI, through the acquisition of Bearing Service Co., Waterloo, IA.

The acquisition brings Bearing Distributors' total number of locations to 36. Bearing Service Co. will continue to operate under its own name together with its Bearing Transmission Supply and General Bearings divisions, as a wholly-owned subsidiary. Robert P. Bradford will remain as Bearing Service Co's. president.☐

Indicators...

Two of the three key indices for the current month retreated marginally while the third advanced slightly. The NIDA/SIDA *Industrial Distribution Index* for the month of July declined to 143.6 on a national basis from 144.1 in June, a drop of just 0.5 points. This leaves the index a lackluster 0.3 below July '84. Regionally results were split between small gains and small losses. The East and the West lost 3.5 and 2.0 points respectively while the Midwest and the South gained 0.4 and 0.8 points respectively... The SIDA *Monthly Sales Trend Report* for June shows a 3.87 decline for the entire association area while year-to-date '85 versus year-to-date '84 shows a minimal increase of 2.61. The one bright spot in in SIDA's sales for June, was Area III which comprises AL, KY, MS, and TN which was up 2.72 over May. All other regions fell...ASMMA's *New Order Index* for June showed an encouraging 3.7 point increase to 125.5 for June over May for a 3% increase. The current figure has only been exceeded one time ---August 1984--- since 1980... The National Welding Supply Assn. *Welding Supply Index* fell slightly in June to 197.2 from 209.3 in May but is still well ahead of all figures in the previous four years. Weakness in June was seen in every product category: gas, equipment, expendables, and other supplies, which all slipped slightly from their May levels...The American Machine Tool Distributors' Assn. *Total Index of Orders* for June fell by 0.2 points from the previous month for an insignificant 0.3% loss. The current index figure is 13.5% lower than the June '84 level... The National Wholesale Hardware Assn. *Hardware Sales Index* fell on a national basis to 116.0 in June from 126.3 in May.

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REGIONAL REPORT

Sales flat in July

For the third straight month, there has been no appreciable movement in national sales figures compared to the same month in the previous year. "Mixed figures" characterize statistics reported from both regions and areas.

In regions, West South Central was down 11% and South Atlantic 5%, while in areas reporting, only Connecticut was in the minus column, down 1%. However, with the exception of the Wisconsin area, up 12%, all of the gains for both regions and areas were slight. The best regional gain was East North Central's 6%.

Confirmation of the continuing erosion of sales can be seen in the month-to-month reporting figures. Negatives predominate with few gains showing up for July. The biggest regional drop was Middle Atlantic's 11%; the biggest loss in areas was Pennsylvania's 18%. The only area gain recorded was Georgia-Florida's 1%.

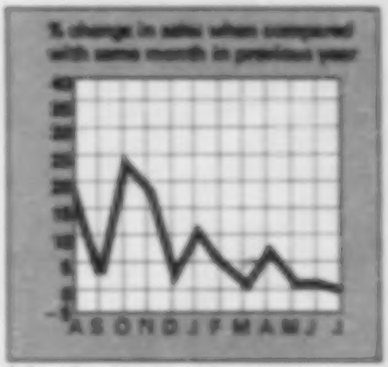
Cumulative reporting figures have also begun to slip. Having been up 7% for the first 6 months of this year compared to last, they are now up only 3% in July. This tally is based on only the areas and regions where both general liners and distributors have reported sales figures.

Receivables show little change, although the days outstanding have slowly crept up again to the low 40s and on average, have remained there.☐

RECEIVABLES*

	July '85 Gen.	July '85 Spec.	vs. July '84 Gen.	July '84 Spec.
New England	47	48	45	48
Middle Atlantic	48	45	46	46
South Atlantic	37	38	36	36
East North Central	38	43	38	44
East South Central	—	—	—	—
West North Central	—	39	—	40
West South Central	—	—	—	—
Mountain	—	—	—	—
Pacific	40	42	37	43
National	42	43	40	43

* Average days outstanding



July sales show no gain...

SALES BY REGIONS (% change)	Jul. '85 vs. Jun. '85 Gen.	Spec.	Both	Jul. '85 vs. Jul. '84 Gen.	Spec.	Both	1st seven months '85 vs. 1st seven months '84 Gen.	Spec.	Both
NEW ENGLAND: CT, RI, MA, NH, VT, ME	+3	-6	-2	+1	+3	+2	+1	+9	+4
Connecticut	-2	-14	-6	-3	+4	-1	—	—	—
Massachusetts	+6	—	—	+6	—	—	+4	—	—
MIDDLE ATLANTIC: NY, NJ, PA	-11	-12	-11	-1	+3	+1	+7	+5	+6
New York Metropolitan Area	—	—	—	—	—	—	—	—	—
Upstate New York	—	—	—	—	—	—	—	—	—
Pennsylvania	-17	-18	-18	+10	+4	+7	+7	+5	+6
SOUTH ATLANTIC: DE, DC, MD, FL, GA, NC, SC, VA, WV	+5	0	+3	-10	+1	-5	-1	+3	0
Georgia-Florida	-2	+3	+1	-2	+6	+3	+8	+3	+5
EAST NORTH-CENTRAL: OH, IN, IL, MI, WI	+1	-11	-6	+2	+9	+6	+1	+13	+8
Indiana	—	—	—	—	—	—	—	—	—
Wisconsin	+5	-6	-4	+19	+10	+12	-1	+12	+9
Chicago	—	—	—	—	—	—	—	—	—
Michigan	—	-26	—	—	+10	—	—	+17	—
Ohio	-4	-8	-6	+6	+7	+7	+5	+12	+9
EAST SOUTH CENTRAL: AL, MS, KY, TN	—	—	—	—	—	—	—	—	—
WEST NORTH CENTRAL: MN, ND, SD, IA, NE, KS, MO	—	0	—	—	-5	—	—	0	—
WEST SOUTH CENTRAL: AK, LA, OK, TX	+1	+10	+6	+3	-18	-11	-12	-15	-14
Texas	—	+9	—	—	-16	—	—	-16	—
MOUNTAIN: NM, AZ, CO, UT, NV, WY, MT, ID	—	—	—	—	—	—	—	—	—
PACIFIC: CA, OR, WA	-14	+19	-4	-6	+15	+1	+10	-3	+6
L.A.-San Diego	-16	—	—	-9	—	—	+11	—	—
Oregon-Washington	—	+23	—	—	+22	—	—	-4	—
U.S. TOTALS	-4	-3	-3	-3	+2	0	+3	+3	+3

DON'T CUT THAT PRICE!

The economic theories that apply to constructive pricing are about as varied as the stars. The one that applies to price cutting, on the other hand, follows one simple rule:
DO IT AT YOUR OWN RISK!

In a random *ID* survey of industrial distributors, 75% of the total sample stated they cut prices on their products at one time or another for a variety of reasons. About half of the 75%, or 37.5% revealed they cut prices "as a way of life." The remaining 37.5% cut prices periodically for what they called "defensive" reasons. The 25% that said they do not engage in price cutting under "normal" circumstances, held out the possibility of price cutting if certain competitive factors came into play. But whether a distributor cuts prices to stimulate sales in the short run, or to keep his customers happy in the long run, price cutting, most distributors agreed, is one of the least desirable ways to try to increase business.

"Cutting prices to attract new customers is the wrong way to go," says Thad Lukasik, Industrial Finishes and Systems, Inc., Eugene, OR, a specialist in cutting tools, abrasives and fluid power products. "If you get the business by price cutting, you lose some profit right away, then you eventually have to turn around and raise your price anyway. When you raise the price, you could very well lose the customers you just dropped your price to attract," he says.

Taking a similar position is Bob Armbruster, vice president, Acme Welding Equipment & Supply, New Orleans, a general line distributor. "We are basically an independent distributor and we're up against some nationwide corporations that have distributorships in this area. The price cutting that is being done here has destroyed the profit structure for everyone."

Armbruster obviously does not adhere to pricing theory that supposedly works to keep prices at their most productive level.

Carl Steelhammer, president, Mill Supply Corp., Salem, OR, a specialist in power transmission, and industrial rubber and plastic products, believes his prices are right at or near the true market value:

"If you price higher than we do, you're not going to get much business away from us, and if you price lower, you're not going to make much money."

Steelhammer believes that foreign competition is the reason he and many other distributors have to go through the latest round of price cutting in the industry. "Technically," says Steelhammer, "we don't have to cut prices too much because even with the competition, there's a limit on the downside."

According to James M. Abbitt, Sr., president, Epperson & Co., Tampa, FL, a general line distributor with specialties in shop equipment, safety supplies and bearings, his company "never sets a price but follows others. Whatever prices are set by other distributors, we have to meet them," explains Abbitt. In this way, his company's products could never be the more expensive buy, he says.

"We cut prices to stimulate sales," admits Calvin Herring, sales manager, Welding Supply & Service Co., Atlanta, a general line distributor with a specialty in cutting tools and abrasives.

"We try to price our products fairly competitively, but sometimes we have to get some slow lines moving. We use a price cutting formula to do this. We know exactly how far down we can go to make what we consider the least acceptable profit."

Going on defense

Cited most frequently as being the prime reason for cutting prices is a distributor's need to counter what someone else has started or, put another way, defending his business interests.

"If someone starts the ball rolling, we're not going to sit back and take it on the chin," says Henry F. Bonk, president, Industrial Safety Supply Co., Inc., West Hartford, CT, a general line distributor. "We're ready to cut prices at any time," he adds, "depending on what the other guy is doing and on what our list prices are."

Don Snow at Aviation Supply Corp., Tampa, FL, a general line distributor, admits he hates to cut prices, but if he has to, "I start sharpening my pencil. How far down do I go? That depends on my margins," he says. "But I know what I have to do if things get tough. Still," concludes Snow, "we're not going to go below a certain price. We're not in business to lose money, and neither is our competition."

Even Lukasik, who maintains that hedoes not believe in cutting prices, recognizes that sometimes a need exists to do it anyway. "If you're stuck with a product line because your supplier went bankrupt or for whatever other reason, you have to move it out of your inventory and one of the best ways is to get rid of it by selling it for less. I'd like to find one buyer for the whole load if I can," says Lukasik, referring to some 50 sanding belts he needed to get rid of recently. "We reduced our price to get rid of them, not," he interjects, "to undercut our competition." However, sometimes the competition doesn't recognize the reason behind such a move, so a mini-price war begins in the local marketplace. "We only do this on a temporary basis," insists Lukasik, "and we give our known customers a shot at buying from us at this reduced price. We don't make a habit of cutting prices but sometimes we as well as other distributors have no choice."

By Milt Ellenbogen
Managing editor

DON'T CUT THAT PRICE!

Says Levi Robinson of Central Pipe & Supply Co., Cambridge, MA, a pipe, valves and fittings, and fastener specialist: "In this area, most of the distributors stick pretty close to the pricing structure but we do cut our prices when we have to for defensive reasons. If our customers are going to go elsewhere because of a more attractive price, we have to offer them an alternative. It's as simple as that."

Many distributors are prepared to cut prices to meet competition as soon as a new line is taken into inventory. The list price often serves only as a guideline from which discounts are taken, explains Dean R. Brodie, president, Clark Witbeck, Rochester, NY, a general line distributor.

"If we know a competitor with an identical product as ours is quoting for a contract, we will also quote and in so doing, cut our price to be competitive. Typically, with many products, list prices bear no relationship to reality. These products immediately acquire a standard discount. For example, everybody gets one-third off for starters. There are also some competitors that are notorious for cutting prices, and if we're up against them in the bidding, and we really want the job, we're going to have to come in with a pretty low bid, lower than we would normally go. I would say that we cut our prices 5 to 15%, depending on the circumstances."

Following the suppliers lead

Rather than cut prices and lose profits, many distributors hope their suppliers will occasionally cut prices to allow their distributors to legitimately pass on the lower costs and stimulate sales. "All things being equal, distributors are pretty much governed by what their suppliers do," says Herbert W. Van Horn, Jr., president, Oliver W. Van Horn Co., New Orleans, a general line distributor. "When our suppliers do this, we do not hesitate to pass the cost savings to our customers," continues Van Horn, subtly suggesting that some distributors are not as obliging as they, and opt for reaping higher profits by keeping their prices up. "I have no qualms about cutting prices," he concludes, "but only for the right reasons."

The suppliers' point-of-view

Because of the sensitive nature of pricing in the supplier-distributor relationship, most suppliers interviewed expressed a preference to remain anonymous. The following excerpted points-of-view are from several suppliers, all depending on many distributors throughout the country to move their products.

- A manufacturer, such as ourselves, has no control whatsoever over distributor prices. This is forbidden by the *Robinson-Patman Act*. We can furnish suggested prices to our distributors for charging their end users, but that's about it.
- We have grounds for dropping a distributor if he does not stock our products in line with the sales demand of his territory, or for not actively pursuing the market in our line, but we certainly can't fault him, or drop him, for the prices he charges his customers. That's strictly between them.
- One of the problems we have with distributors who keep cutting prices on our products is that they do not stock our products in line with their sales. They figure that if they don't have a heavy investment in our line, they can work on smaller margins and sell the products quicker. Distributors that have heavy investments in our products sell the products at fairer prices and we can more realistically see what the true demand is in their area.
- One problem that causes too much price competition occurs when a previously good industrial area starts to decline. With less demand for our product, compared to what existed before, and with too many distributors in the area carrying our product line, there is bound to be intense competition and abnormal price cutting.
- As a manufacturer, we keep hands off our distributors with regard to price. Generally speaking, discounts on our product line, hand tools, are found all over the place. Sometimes special promotions instigated by us may fuel the fire, but that's business. Competition is the way of life not just here but all over the free world.
- We furnish our distributors with a list price, but that's only a vehicle for them to use in order to arrive at a net price. Net prices are based on quantity discounts from that original list price.
- We have consistent policy on our price list for quantity discounts. Every one of our distributors gets the same break in buying from us, but what they do after that is totally up to them.

Price sensitivity is being aggravated by suppliers for a variety of reasons, one of which is importing and offshore manufacturing, according to Steven L. Katz, sales manager, Action Bearing Co., Boston, MA.

"Price cutting is something in which we have a lot of input because we were one of the first distribution companies to really get involved in price sensitive situations, particularly in the northeast," he explains. "What we found is that in the last two to three years all of the major domestic manufacturers have internationalized their product line. They call it *rationalization*.

Although Katz is referring mainly to bearing manufacturers, other industries that have been devastated by significantly lower prices on foreign products have started similar programs.

"It used to be that SKF, for example, manufactured its entire product line in America," continues Katz. "They found that was much too expensive. A few years ago a customer would say he wanted SKF American only and it was possible because it made its whole product line here. However, in the last several years, and this is predominant throughout the industry, manufacturers are making certain parts of their product line here, certain parts in Italy, and Stockholm, and elsewhere overseas. They are getting much longer production runs and then shipping the parts all over the world."

Katz points out that if a customer now comes in and wants an SKF American, he will get an SKF that could have been produced anywhere in the world.

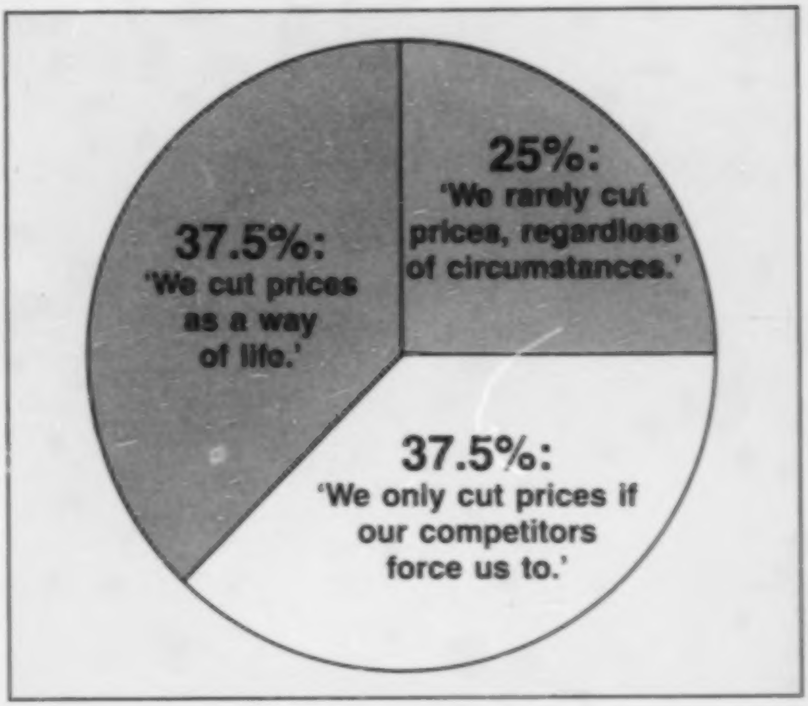
"This has allowed manufacturers, whether they be American, English or Austrian to compete with more success against the Japanese and Eastern Bloc countries, and have indirectly forced prices down on bearings in the U.S."

Katz concludes that the price a distributor charges for bearings is more dependent on who his suppliers are than for other types of products although a possible exception might be fasteners.

Says Katz, "When someone is buying in volume and he has done some shopping around, he can pay from 20% to 30% less than 10 years ago."

So while distributors can blame themselves, suppliers and competitors for forcing them into price cutting, few if any admit that there are inherent dangers. Says one midwest general line distributor, "Price cutting reveals a weakness. What we never seem to learn is that we provide a valuable service over and above just stocking product. Price has to reflect the added value we represent by having product in the right place at the right time. Too many of us undersell ourselves just as we undersell some of our products."

Sometimes, he adds, it's better to give the products away than to let our customers know that we're in a losing situation.☐



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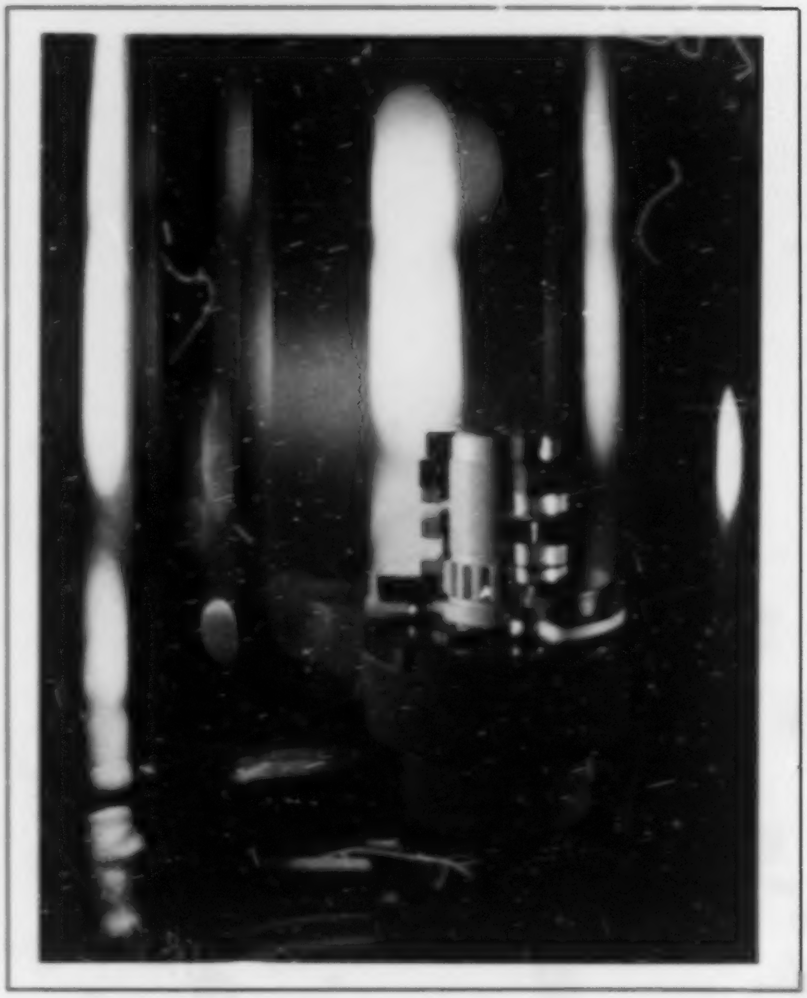
Power Transmission Review

While most PT experts see softness in sales extending through '85, they expect 1986 to show some nominal growth



Power transmission products are among the oldest industrial products known to man. Gears, chains, sheaves and belts date back to medieval times and, in many cases, designs for some of the rudimentary PT products have not changed in centuries.

Today, the PT arsenal is being assaulted on two fronts. Not only are some traditional PT products being challenged by sophisticated solid state electronic, fluid power and electromechanical products, but the recent decline of such historic PT-intensive industries as steel, agriculture and certain capital goods have robbed manufacturers and distributors of their key markets.

Adding further to the woes of the domestic PT manufacturer are the inroads made by imports. While, to date, the off-shore penetration of the PT market has been spotty, no one knows what the future holds.

In interviews with manufacturers, distributors and trade associations throughout the country, ***ID*** heard the same comments regarding power transmission products: that business is sluggish and there is great uncertainty about the future.

Words like *flat* and *soft* were used repeatedly when the speakers were describing the state of the economy and the PT business.

Alan Haveson, president of the Power Transmission Distributors Assn. (PTDA) said that it was his expectation that no significant improvement in PT business could be expected before 1986.

"I expect to see the softness continue until at least the first of the year," said Haveson. "There's great unrest in pricing and there's a lot of material around, so I expect strong price competition to continue," he noted.

"I also wouldn't be surprised to see prices in some areas coming down even

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By **Doug Harper**
Senior Editor

a little bit more. Sheaves and bushings might decline much the way bearings and V-belts have had to cut prices because we're even beginning to experience foreign penetration in those areas," Haveson warned.

Another expert concerned about the growth of the PT distribution business is Michael Gaffney, president of Motion Industries, Inc., headquartered in Birmingham, AL, one of the nation's largest PT distributors with 160 branches.

"For some reason or other," says Gaffney, "the Government is putting out statistics telling us that things are pretty good. And that just isn't so in the industrial marketplace where things are as flat as a pancake. I haven't seen a happy face on a vendor coming through here in six months.

"There are probably some of my friends who are in a whole lot of trouble but don't want to admit it. Because I think we're going to see a real shakeout by the end of the year and some of these guys aren't going to make it," warns Gaffney.

"The main problem that distribution has today is that there are too many manufacturers and too many distributors now that 'smokestacks' have gone away. We're all concentrating on fewer customers who are totally cognizant of the situation and are using it to their advantage," Gaffney says.

Total value of sales of U.S. antifriction bearings & components

($ Millions)

Year	Total Value	Annual % Change	Value in 1967 Dollars After Adjustment for Bearing Price Rises	Annual % Change
1958	$ 636.8	—	—	—
1963	961.0	—	—	—
1967	1,292.2	—	$1,292.2	—
1968	1,293.7	0.1%	1,274.6	−1.4%
1969	1,396.0	7.9	1,350.1	5.9
1970	1,295.3	−7.2	1,186.2	−12.1
1971	1,258.2	−2.9	1,101.8	−7.1
1972	1,418.7	12.8	1,212.6	10.1
1973	1,695.7	19.5	1,403.7	15.8
1974	1,960.7	15.6	1,395.5	−0.6
1975	2,046.3	4.4	1,246.2	−10.7
1976	2,195.2	7.3	1,243.0	−0.3
1977	2,444.5	11.4	1,277.2	2.8
1978	2,799.3	14.5	1,356.9	6.2
1979	3,260.5	17.3	1,438.9	6.0
1980	3,284.5	0.7	1,239.0	−13.9
1981	3,607.7	9.8	1,183.6	−4.5
1982	2,888.7	−19.9	871.4	−26.4
1983E	2,746.3	−4.9	826.9	−5.1
1984E	2,825.3	2.9	825.9	−0.1
1993P	4,510.3	5.1^1	833.7	0.1^1

E—Estimate
P—Projection
1—Average annual growth rate 1983–1993

Source: U.S. Department of Commerce, Estimates and Projections by Business Trend Analysts

The changing product mix

According to the PTDA's *1985 Marketing Report*, the largest-selling product categories in terms of dollar volume in 1984 for members of the organization were V-belts and sheaves which accounted for 14% of sales, chains and sprockets which accounted for 12% of sales and mounted friction bearings and enclosed gearing which tied for third place with 10% apiece.

V-belt and sheaves, and chains and sprockets which accounted for the first and second highest volume respectively in 1984, are in reverse order from their 1976 standings.

Other PT products which accounted for sizable sales in 1984 were:

• Unmounted anti-friction bearings:	7%
• Couplings and U-joints:	5%
• Clutches and brakes:	5%
• D-C speed adjusters:	4%
• IHP a-c motors (integral):	4%
• FHP a-c motors (fractional):	3%
• Controls:	3%
• Adjustable speed devices:	3%

Products accounting for less than 2% of sales include: a-c adjustable speed controls, flat belts and pulleys, open gearing, a-c gearmotors, and synchronous belt drives.

A bearing on the PT industry

Antifriction bearings are used in virtually every type of industrial machinery and in all transportation vehicles. With this heavy dependence on the manufacturing of durable goods, sales of bearings tend to be cyclical, following trends in the real GNP and industrial production.

The Antifriction Bearings Industry, a recent study published by Business Trend Analysts (BTA), a business research firm headquartered in Commack, NY, reports that sales of domestic bearings declined nearly 24% between 1981 and 1983 and unit shipments were down in every category.

According to the study, *in constant dollars* domestic bearings sales have fallen in 11 of the last 17 years and in each year since 1980, declining a total of 42.5% in that time.

Hal Mullison, marketing manager for Goodyear Tire and Rubber Co's. Power Transmission Products headquartered in Lincoln, NE, also paints a somewhat pessimistic picture about the future of V-belt sales.

[*continued on page 70*]

Power Transmission Review . . .

[*continued from page 66*]

"We see the V-belt market as a relatively low-growth rate market which has really been whipsawed by recent price reductions. I think that's the most significant thing that's happened from the distributors viewpoint," comments Mullison.

Another observer who views the future guardedly is John Martin, vice president-sales, with Martin Sprocket & Gear of Arlington, TX.

"I don't think we're going to have any feel for the next year until this fall," says Martin. "We've gone through such a long period with farm machinery being down and I don't think that's going to improve a whole lot in the next couple of years.

"I don't think the oil business is going to improve a a whole lot in the next year or two either, so I really do see things pretty flat—no more than 3% increase—in the next year. And as far as heavy industry business is concerned, if it's gone it's gone and I don't see it returning. It's a shame," asserts Martin.

Gary Pennell, vice president of marketing for Indianapolis-headquartered Diamond Chain Co. doesn't ever expect a return to the halcyon days of the late seventies.

> **'The Government puts out statistics telling us that things are pretty good. And that just isn't so.'**
> **—Gaffney**

"What I see right now is a very flat economy in roller chain. I think things have to pick up in '86. I can't imagine they'll stay at this level. It seems to be a little bit unnatural.

"I think through Government policies, the oil business will have to come back although it depends on what OPEC does. As far as agriculture is concerned, I don't think we'll ever see what we saw in 1978 or 1979," comments Pennell.

Imports: A controversial subject

The severity of the import *problem* while a subject of intense discussion, produces no clear-cut consensus among the PT fraternity.

Motion Industries' Gaffney, for example, states unequivocally that "Imports have done a very poor job of infiltrating the PT market. They have pockets of business where imports have done pretty well such as in the V-belt business about a year or so ago, but the better known distributors in the U.S. are still selling primarily American products. You might say *they're still dancing with the guy that brought them*."

[*continued on page 72*]

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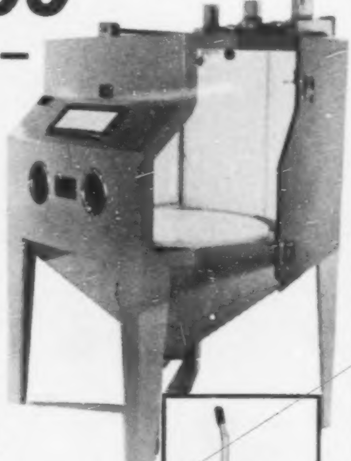


[*continued from page 70*]

Predictably, Goodyear's Mullison takes a somewhat more serious view of the dimensions of the challenge offered by off-shore manufacturers.

"Yes, imports are an increasing V-belt problem," Mullison reports. "They now have about 10%-plus of the domestic market. Imports, however may have reached their peak in terms of market penetration," he states.

And John Martin from Martin Sprocket & Gear claims that imports, while not constituting a major threat, will not be disappearing in the face of a declining dollar.

"I think imports have been more detrimental to the chain business than to ours. Even if the dollar dropped quite a bit, I don't think it would effect the imports we see in our area because the prices are just so much lower. Even if the dollar dropped 20%, I don't think it would effect us much," says Martin.

On the subject of imports, a recent PTDA survey of 61 manufacturers asked the question: *Do you expect the percentage of foreign manufactured content to (a) increase, (b) decrease or (c) to stay the same ?* 80% answered *increase*, 14.7% answered *decrease* and 13.1% answered *remain the same*.

'Because of the low growth rate of the market we've got to go out and find new applications.'
—Mullison

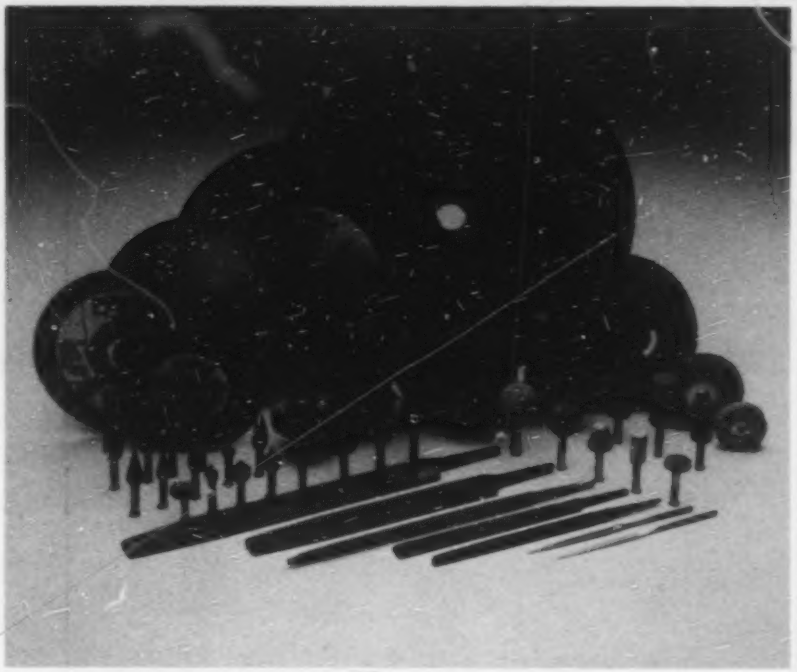
Service is the key, says Gaffney. "The customer today is interested in service and when you start talking about imports, you've also got to talk about supply lines, you've got to talk about delays, and whether you may or may not get your shipment. You can talk about JIT (Just-in-time) all you want but when it has to come over on a boat, go to a port and come to you, it's going to take awhile," he says.

"It takes a year to set up a continuously flowing pipeline. And because of the fragmentation of the PT marketplace, it's very difficult for a foreigner to zero in. I personally feel that until such a time as distribution decides to take on a foreign product, it may never be successful because you've got to have it available in 500 cities today," Gaffney emphasizes.

Pennell from Diamond Chain says that he does "see imports as a continuing problem, but I do think the decline in the value of the dollar will make some difference," he notes.

High tech: fact or fiction ?

While high tech has been touted as the salvation of American industry,



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tech revolution slow in coming, although they do see hints of its arrival.

Alan Haveson sees high tech playing a major role in the future of PT. Goodyear's Mullison adds, "In robotics we see a very viable potential for power transmission products. We see it as having excellent both short and long term growth potential."

But, Gaffney points out, "There isn't much to be had in the high tech industries. You may sell a lot of pieces but it doesn't turn out to be a lot of dollars. "We have branches in Santa Clara where we're extremely big in the high tech business. They buy small bearings, small gearings, everything is in miniature. No matter which piece of high tech machinery you look at, it doesn't take much horsepower to run it and therefore it doesn't require much in the way of horespower capacity parts."

While V-belts are hardly high tech, Mullison sees them capturing some of the applications traditionally held by chain. "We're in a very concerted effort to do it and some of our competition is in the same push," he says.

"Because of the low-growth rate of the market and the depressed prices, we've got to go out and find new applications and replacing chain is a classic case. If you get into a high torque, low speed drive, there are some new V-belt products that can handle those requirements.

Diamond Chain's Pennell, speaking from the other side of the chain/V-belt clash, acknowledges that chain manufacturers may be in for a struggle. "Unfortunately chain is a rather mature product," he says "we see not only competing with other chain people but also competing with other modes of PT such as belts and electronic controls."

1986: slow growth ahead

All power transmission experts queried by *ID* expect *real* business growth to improve no more more than 3-5% over 1985. Six-to-ten percent was the figure mentioned by 42% of the respondents to the PTDA survey of manufacturers.

On the other hand, the Rubber Manufacturers Assn. is calling for *real* growth rates more on the order of 2-2.5% for the next five years in constant dollars without allowing for any inflationary appreciation of business income.

Whatever the final figure, all seem to agree that the "Good old days" of booming business and undisputed American industrial supremacy are as extinct as the nickle cigar. From now on, say industry leaders, PT will have to work hard just to stay even, although some see the accelerating pace of technology in the U.S. as a possible challenge to offshore competition.

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